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***TOWN OF PAONIA, COLORADO***  
*FINANCIAL STATEMENTS*  
*DECEMBER 31, 2014*

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## Independent Auditors' Report

Town Council  
Town of Paonia, Colorado

### Report On The Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Town of Paonia, Colorado, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

#### *Management's Responsibility For The Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Town of Paonia, Colorado, as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis Of Matter***

As discussed in Note 18 to the financial statements, in 2014, the Town restated its net position as of December 31, 2013. The impact of this restatement increased net position by \$813,905. Our opinion is not modified with respect to this matter.

As discussed in Note 19, the Town reclassified the sales tax capital improvement fund from a special revenue fund to a capital projects fund based on definitional changes in Governmental Accounting Standards Board Statement No. 54. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedule of funding progress on pages i through xiv, 38 through 43 and 44, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The sales tax capital improvement fund, grant project fund and proprietary funds budget to actual schedules and Local Highway Financial Report are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The sales tax capital improvement fund, grant project fund and proprietary fund budget to actual schedules and Local Highway Financial Report are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the sales tax capital improvement fund, grant project fund, proprietary fund budget to actual schedules and Local Highway Financial Report are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*RubinBrown LLP*

August 5, 2015

# **TOWN OF PAONIA, COLORADO**

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For The Year Ended December 31, 2014**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the Town of Paonia, we offer readers of the Town of Paonia Financial Statements this narrative overview and analysis of the financial activities of the Town of Paonia for the Fiscal Year ended December 31, 2014.

The repetition of the Town's financial statements has been omitted from the Management Discussion and Analysis (MD&A). The author of this discussion believes the written narrative presentation of information related to the Town of Paonia's financial position should be the focus of the Fiscal Year 2014 MD&A.

Please refer to the Town of Paonia's Financial Statements which begin on the pages following this MD&A to assist you as the reader with your understanding and comprehension of the issues presented herein.

### **INTRODUCTION**

The area was first explored in 1853 by Captain John W. Gunnison of the United States Army. Gunnison was on an expedition to locate a suitable pass through the Rocky Mountains for the Topographical Engineers. The Valley was inhabited by Ute Indians until 1880, when the Ute Indian Reservation was closed by the federal government.

Following the closure of the reservation, the site itself was settled in 1880 by Samuel Wade and William Clark, who had accompanied Enos Hotchkiss to the area from Ohio. The town was officially incorporated in 1902. Vast reserves of coal lay buried in the area. The advent of the railroad made the shipping of coal economical and today, coal mining is our major industry. Other significant industries include ranching and orchard farming.

The Town operates under a Mayor-Town Board form of government with an appointed Town Manager. The Town Board provides strategic leadership, goal setting and policy-making authority and employs the Town Manager who is responsible for the day-to-day management, financial and technical support to ensure equitable, efficient and effective implementation of government services to our citizens.

The Town provides a full range of public services, including a Police Department, Municipal Utilities (water, wastewater and trash), Infrastructure (drainage, streets, public buildings, airport and sidewalks), and Cultural and Recreational programs (parks and recreation activities to promote wellness).

Other governmental services are provided through various agencies include: fire protection through the Paonia Volunteer Fire Department (Delta County FPD #2), North Fork Volunteer Ambulance Association and the Paonia Public Library - a branch office of the Delta County Library District.

## **TOWN OF PAONIA, COLORADO**

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### Management's Discussion And Analysis (*Continued*)

#### **FINANCIAL HIGHLIGHTS AND NOTABLE FINANCIAL STATEMENTS COMPARISONS OF FY'2013 TO FY'2014**

1. Town of Paonia FY'2013 Audited Financial Statements detailed \$178,470 in over expenditures for the Governmental Funds (General, Sales Tax Capital Improvement and Conservation Trust).
2. Town of Paonia FY'2013 Audited Financial Statements detailed \$172,229 in Losses on Employee Fraud in the Governmental Funds.
3. Total FY'2013 Audited Financial Statements detailed Governmental Funds Net Decrease to Fund Balances totaled \$350,699.
4. Town of Paonia FY'2013 Audited Financial Statements detailed Enterprise Funds (Water and Sanitation) Operating Loss of \$78,994 and Employee Fraud Loss totaled \$79,824.
5. Town of Paonia FY'2013 Audited Financial Statements detailed Enterprise Funds Net Decrease to Position totaled \$155,068.
6. Total Town of Paonia FY'2013 Operating and Employee Fraud Losses for All Funds of \$505,767.
7. Town of Paonia FY'2014 Audited Financial Statements detail \$474,946 in over expenditures for the Governmental Funds (General, Sales Tax Capital Improvement, Conservation Trust, Grant Project and Sidewalk). The audited FY'2014 General Fund expenditures exceeded revenues by \$81,315.
8. Town of Paonia FY'2014 Audited Financial Statements detailed \$0 in Losses on Employee Fraud in the Governmental Funds.
9. Total FY'2014 Audited Financial Statements detailed Governmental Funds Balances increased by \$239,609, due to the addition of the grant project fund and sidewalk fund in FY14.
10. Town of Paonia FY'2014 Audited Financial Statements detailed Enterprise Funds (Water and Sanitation) Net Operating Income of \$40,157 with an Operating Loss of \$80,014 to the Sanitation Fund and no monies (\$0) attributed to Employee Fraud Loss in FY'2014.
11. Town of Paonia FY'2014 Audited Financial Statements detailed Changes in Fund Net Position prior to capital contributions and transfers for the Enterprise Funds Decrease to Position totaled \$96,111 of which \$156,495 Loss was attributable to the Sanitation Fund and Income to the Water Fund of \$60,384.
12. Employee Fraud Losses to the Town were approximately \$647,000 for the Fiscal Years 2010 and 2011 which combined with Operating Losses have caused significant financial distress to the Town of Paonia.
13. Original Proposed FY'2015 Town Budget (presented on October 14, 2014) specified \$410,000 in spending deficits which violates Colorado statutes requiring local governmental budgets to be balanced.
14. Beginning on November 3, 2014, with the new Town Manager appointment, financial provisions were started to be put into place to eliminate the proposed budgetary spending deficits including reductions in personnel in order to balance the FY'2015 Town Budget.

## **TOWN OF PAONIA, COLORADO**

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### Management's Discussion And Analysis (*Continued*)

15. FY'2015 Annual Budget adopted by the Paonia Town Board on December 9, 2014 was a balanced budget through many one-time financial fixes including the business decision to eliminate three positions for FY'2015 which resulted in the lay-off by December 31, 2014 of three full-time Town employees; projections to lay-off as many as an additional three FTE's by no later than December 31, 2015; public sale of Town assets; discontinuing the Town provided Trash Service and considering options for the Town's Police Services.

The assets of the Town of Paonia exceeded its liabilities at the close of the most recent Fiscal Year by \$11,521,721 (Total Net Position). Of this amount, \$4,249,544 (Unrestricted Net Position) may be used to meet the government's ongoing obligations to citizens and creditors. It should be noted this total represents cash, cash equivalents, investments, capital assets, inventories, etc. which may or may not be liquid for the Town.

As of the close of the current Fiscal Year 2014, the Town of Paonia Governmental Activities reported combined ending net assets of \$3,757,833. Approximately 0.003 percent (less than 1%) of this total amount, \$11,476, is Unrestricted Net Assets.

As of the close of the current Fiscal Year 2014, the Town of Paonia Fund Balance for the General Fund was (\$16,562), an Excess Deficiency of Expenditures over Revenues. There exists no (\$0) operational cash reserves (Fund Balance) for the General Fund.

For the Fiscal Year Adopted 2014 Budget, the Town Board for the Town of Paonia focused on several major projects which are highlighted as follows:

1. **COMPLETION OF THE 2.0MG WATER PROJECT**

The 2.0MG (million gallon) project is underway, with expected completion by December 2015. \$500,000 was set aside in the 2014 Grant/Project Budget as matching funds. This project has been funded by grants and low interest loans from DOLA (Department of Local Affairs), Colorado Water Power Development Authority (CWPDA), the Gunnison Basin Round Table and Colorado Water Conservation Board (CWCBC). The Town received a \$1,000,000 EIAF Grant from DOLA, \$847,920 in principal forgiveness from a loan with the CWPDA, a \$75,000 grant from the Gunnison Basin Round Table and \$310,000 from CWCBC. A DWSRF (Drinking Water State Revolving Fund) loan with a 2.08% rate has been approved and bonds were issued by the Colorado Water Power Development Authority on the Town's behalf for the remaining balance of \$3,000,000 needed to complete approximately \$6,000,000 in Water System Improvement projects.

2. **COMPLETION OF THE 1.0MG WATER STORAGE ROOF REPLACEMENT PROJECT**

The 1.0MG (million gallon) roof replacement project was contracted during 2014. This project's expected completion was by April 30, 2015. \$197,000 was allocated and set aside in the 2014 Grant/Projects Budget to be contributed as matching funds. This project has been funded by a DOLA (Department of Local Affairs) Emergency Grant totaling \$200,000.



## **TOWN OF PAONIA, COLORADO**

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### Management's Discussion And Analysis (*Continued*)

#### 3. HUMAN RESOURCES

In FY'2014, Town employees did not receive a cost of living increase and/or bonuses, and additionally, no increases were budgeted for in FY'2015.

In 2014, the Town of Paonia embarked on recruiting and selecting a new Town Manager after this position had remained vacant for approximately seven (7) years. A three-year 50% Department of Local Affairs (DOLA) grant was executed to offset the estimated cost of the position. An Interim Town Manager (Steven Rabe) was contracted for in mid-June 2014, to review the Town's financial situation, help adjust the culture and facilitate the hiring of a full-time Town Manager. The full-time Town Manager (Jane Berry) was selected on October 14, 2014 with a beginning start date of November 3, 2014.

Also in 2014, a Police Officer position was vacated, and the decision was made not to replace the position due to financial constraints. In addition, a second Police Officer position was eliminated as of the end of the fiscal year on December 31, 2014, due to financial and budgetary constraints. Public Safety services were proposed during the planning for the 2015 Town Budget process to be re-evaluated in FY'2015.

Two additional positions, one (1) in the Administration and one (1) in the Public Works Department were eliminated for Fiscal Year 2015 (effective by December 31, 2014), again due to financial and budgetary constraints projected for FY'2015.

#### 4. SIDEWALK FUND

In 2013 Town voters approved a \$3.00 per month fee to be dedicated to the repair and replacement of existing sidewalks. In 2014, the \$3.00 fee was implemented, and sidewalk repairs were planned to begin in the fourth quarter but did not occur due to having received no bids from contractors for the proposed work. The project was planned to be re-bid in 2015.

#### 5. ENTERPRISE FUNDS

In 2014, Sewer rates experienced no increase marking ten (10) years (2005) since any rate increase has been considered. Sewer rates must be considered for an increase in 2015 in recognition of the costs of operations, maintenance and capital re-investment, as well as to be in compliance with existing WWTP system loan agreements. The Sewer (Sanitation) Fund continues to experience significant operating losses (deficiency), given the lack of consideration to the costs of providing this business service to the Town's customers.

Trash rates also have experienced no increase since 2007. The Town must re-evaluate this service it has been providing to residents and businesses as it has been heavily subsidized by the Wastewater/Sanitary Sewer Fund resulting in significant losses of operating funds (cash) to the Sanitation Fund.

## TOWN OF PAONIA, COLORADO

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### Management's Discussion And Analysis (*Continued*)

Water base rates were increased by \$5.00 in May 2014. The increase to water rates was not sufficient in recognition of the mandated loan coverage requirements related to the 2.0MG Water Projects funding nor in relationship to the system's costs of operations, maintenance, capital re-investment and compliance with other Water system loan agreement requirements. An erroneous number was utilized to determine the 2014 rate increase relative to the number of existing accounts for the Water system. A significant water rate increase must be considered in 2015 for the system and its fund to remain financially solvent, as well as to be in compliance with all loan agreements.

#### 6. INFORMATION TECHNOLOGY

During 2014, the Town implemented improvements and upgrades to its computer technology network system and software:

- \$24,000 was allocated in the 2014 budget to Information Technology (IT) improvements and upgrades;
- \$1,900 was allocated in 2014 for website re-construction and upgrades; and
- \$22,103 was allocated for 2015 for Data Processing expenses, including \$3,875 for Spillman Technology (Police Department software).

### OVERVIEW OF THE FISCAL YEAR 2014 AUDITED FINANCIAL STATEMENTS

By way of introduction and definition to the Town of Paonia's basic financial statements, the Town's financial statements are comprised of three components:

1. Government-wide Financial Statements
2. Fund Financial Statements
3. Notes to the Financial Statements

This report also contains required and other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements:** The *Government-wide Financial Statements* are designed to provide readers with a broad overview of the Town of Paonia's finances in a manner similar to a private-sector business.

The "*Statement of Net Position*" presents information on all of the Town of Paonia's assets and liabilities and deferred inflows of resources, with the difference between these reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town of Paonia is improving or deteriorating.

The "*Statement of Activities*" presents information showing how the government's net position changed during the most recent Fiscal Year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

## TOWN OF PAONIA, COLORADO

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### Management's Discussion And Analysis (*Continued*)

Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town of Paonia that are principally supported by taxes and intergovernmental revenues (***governmental activities***) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (***enterprise business-type activities***).

The ***Governmental Funds*** of the Town of Paonia include the General Fund, Sales Tax Capital Improvement Fund, Conservation Trust Fund, Grant Project Fund and Sidewalk Fund. New to the Governmental Funds for the FY'2014 Audited Financial Statements are the Grant Project Fund and the Sidewalk Fund:

**General Fund:** The General Fund is the Town's major operating fund. All revenues, by law or administrative control, that are not in otherwise designated funds are deposited in the General Fund. The General Fund is used to provide for Administration, Community Development, General Government, Public Safety, Streets and Parks and Recreation services. The primary sources of revenues for the General Fund are 1) Sales taxes (Town and Delta County), 2) Property taxes and 3) Intergovernmental revenues specifically the Severance tax and Mineral leasing.

**Conservation Trust Fund:** The Conservation Trust Fund is used to account for monies received by the Town from the State of Colorado lottery proceeds. These funds are restricted for use in the acquisition, development and maintenance of new park and conservation sites or for capital improvements and maintenance of any existing public site for recreational purposes.

**Sales Tax Capital Improvement Fund:** The Sales Tax Capital Improvement Fund is funded by 1% (50%) of the 2% Town Sales Tax and used to account for capital projects and/or capital purchases.

**Grant Project Fund:** The Grant Project Fund is funded by refundable grants designated to specific projects plus Town matching funds. This fund is a "pass through fund" specifically for the tracking of grant-awarded specific projects including: the Town Manager position, 2.0MG Water Projects and the 1.0MG Water Storage Roof Replacement Project.

**Sidewalk Fund:** The Sidewalk Fund is funded by a \$3.00 fee assessed monthly on in-town residents only through our current utility billing to be used to repair and replace existing sidewalks.

**Governmental Funds** are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the Fiscal Year. Such information may be useful in evaluating a government's near-term financing requirements.

## TOWN OF PAONIA, COLORADO

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### Management's Discussion And Analysis (*Continued*)

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements.

By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Beginning in 2014, the Town of Paonia maintains five (5) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Sales Tax Capital Improvement Fund, Conservation Trust Fund, Grant Project Fund and the Sidewalk Fund, all of which are considered to be major funds. Data from the five governmental funds are combined into a single, aggregated presentation.

The Town of Paonia adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the General, Sales Tax Capital Improvement, Conservation Trust, Grant Project and Sidewalk Funds to demonstrate compliance with this budget.

The basic Governmental Fund Financial Statements can be found on pages 6 through 9 of this report.

The ***Enterprise Funds*** (*business-type activities*) of the Town of Paonia include the Water and Sanitation Funds:

**Water Fund:** The Town operates two water treatment facilities. The upper system, also known as the 2.0 Million Gallon (2MG) Water Treatment Plant (WTP), services mostly the out-of-town water companies and the northeast end of Town. The lower system, also known as the 1.0 Million Gallon (1MG) Water Treatment Plant or commonly referred to as the "Clock Plant," services mostly Town proper. The primary sources of revenue are charges for service. This fund is used to account for the revenues and expenses associated with the operations and maintenance of the water treatment and delivery (distribution) system. Also to be included in the charges for services or any rate consideration for this fund are the repayment of loans for the water treatment facilities and monies for capital re-investment to these systems.

**Sanitation Fund:**

**1) Sewer:** The Town operates a Waste Water Treatment Plant (WWTP) and sanitary sewer collection system. The primary sources of revenue are charges for service. This fund is used to account for the revenues and expenses associated with the operations and maintenance of the waste water treatment plant and collections system. Also to be included in the charges for services or any rate consideration for this fund are the repayment of loans for the waste water treatment plant facility and monies for capital re-investment to this system.

## TOWN OF PAONIA, COLORADO

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### Management's Discussion And Analysis (*Continued*)

**2) Trash:** The Trash Fund is technically part of the Sewer Enterprise Fund. The Town budgets these activities individually to track both revenues and expenditures separately. The Trash Fund is used to account for revenues and expenses associated with the collection and disposal of trash for in-town residents and businesses. Charges for the service are the only revenue source for this activity.

The Government-wide Financial Statements include only the Town of Paonia itself (*known as the primary government*), as there are no component units of the Town.

The Government-wide Financial Statements can be found on pages 4 through 5 of this report.

**Fund Financial Statements:** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Paonia, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of Paonia can be divided into two categories: governmental funds and enterprise or proprietary funds.

**Enterprise funds** are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town of Paonia uses Enterprise Funds to account for its Water and Sanitation (Sewer and Trash) Funds.

Enterprise Funds provide the same type of information as the government-wide financial statements, only in more detail. The Enterprise Fund Financial Statements provide separate information for the Water and Sanitation (Sewer and Trash) Funds, all of which are considered to be major funds of the Town of Paonia.

The basic Enterprise Fund Financial Statements can be found on pages 10 through 12 of this report.

**Notes to the Financial Statements** provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The Notes to the Financial Statements can be found on pages 13 through 37 of this report.

**Other information** is in addition to the basic financial statements and accompanying notes. This report also presents certain "*Required Supplementary Information*" concerning the Town of Paonia's budgetary comparison schedules and schedule of funding progress.

Required Supplementary Information can be found on pages 38 through 44 of this report.

### FOR THE TOWN AS A WHOLE

For this discussion, please refer to the "Statement of Activities" Primary Government on page 5.

## **TOWN OF PAONIA, COLORADO**

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### Management's Discussion And Analysis (*Continued*)

The Town has lacked in oversight, control and general management since 2007. As a result, the Town has experienced uncalculated employee fraud, loss of potential growth and revenues, unmanaged expenditures and operations, and long-term debt has increased without consideration of rate increases and impact to our constituency over that same period.

The Town's efforts to recruit and select a new Town Manager during 2014 are to be applauded as first steps toward financial integrity, re-building trust with the community, evaluating levels of services, staffing considerations and examining and managing debt through our rate structures and user fees/charges for services during a time of economic uncertainty given the decline of the mining industry to our region.

Net Position (Assets) for the Town as a whole has increased from \$10,358,023 in FY'2013 to \$11,521,721 for FY'2014 which is a 10% increase from 2013 to 2014. See pages 4, 5 and 11 as well as Note 18 of this report.

The Town's Net Assets invested in capital assets has decreased from \$7,748,736 in 2013 to \$6,388,007 in 2014 or by 17.6% from 2013 to 2014. The difference is attributable to an increase to the Governmental Activities Net Investments in Capital Assets from the addition of Samuel Wade Road to the Town's Fixed Assets Schedule but offset by a decrease for the Business Type Activities Net Investments in Capital Assets due to new Long-term Liabilities (Debt) for the Water System. During that same period, the Town's unrestricted net assets have increased by \$2,561,935 or 60%. This highlights important issues for the Town's government.

The Town's cost of delivering services to our citizens is being examined along with efficiencies and reductions while every attempt to maintaining a high level of service delivery is the top priority and consideration by both the Administration and Governing Body of the Town.

The Town's cash reserves have dwindled to a deficit position for the General Fund and a dramatic low that would not allow the Town to maintain operations for the Water and Sanitation Funds for a period longer than one to two months.

Investment in the Town's capital asset renewal and replacement has been severely constrained, and the Town's basic infrastructure of streets, alleys, sidewalks, sewers, water mains, Town-owned facilities such as Town Hall, the Teen Center, Parks, tools and equipment used by the Town's workers are all showing signs of age, lack of maintenance and significant wear.

The Town is taking steps to make investment for capital projects in the Town's Water System (business-type operations) in 2014, 2015 and 2016, at the direction of the Town Board due to a Drinking Water Enforcement Order issued by the State of Colorado Department of Public Health. These initiatives will result in more than \$6.0 million of capital asset renewal and replacement in the Town Water System by 2017.

Other Town infrastructure needs to be addressed in similar capital improvement planning efforts, without any governmental agency mandates.

## TOWN OF PAONIA, COLORADO

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### Management's Discussion And Analysis (*Continued*)

#### FOR THE TOWN'S GOVERNMENTAL FUNDS

For this discussion, please refer to page 8 "Governmental Funds – Statement of Revenues, Expenditures and Changes in Fund Balances."

The Town's property tax rates have not increased in recent years. Largely through new construction and economic improvement, total property values in the City have increased over the past few years resulting in a ten percent (10%) increase in General Fund Property Tax revenues in 2014 compared to 2013.

Sales tax rates in the Town are unchanged year-over-year, but Sales Tax revenues for the Town in 2014 were up 4.2% over 2013.

Transfers from the Town's business-type activities (Enterprise Funds) to reimburse the general government for management and administrative costs increased by \$25,896, a 100% increase from 2013, during which no operating transfers occurred.

#### FINANCIAL ANALYSIS OF THE GOVERNMENT FUNDS

As noted earlier, the Town of Paonia used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the Town of Paonia's **Governmental Funds** is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the Town of Paonia's financing requirements. In particular, **Unreserved Fund Balance** may serve as a useful measure of a government's net resources available for spending at the end of the Fiscal Year.

As of the end of the Fiscal Year 2014, as determined by the Town's Auditors, the Town of Paonia's Governmental Funds reported combined ending Fund Balances of \$706,357. A **negative** combined Unassigned Fund Balance of (\$158,872) exists for the Total Governmental Funds. This **deficit** Fund Balance position means the Town has **no monies available** for discretionary spending. Additionally, the General Fund has monies owing "Due to Other Funds" which are reflected in the Liabilities.

Please refer to page 6 of the Financial Statements for further details.

The remainders of the Governmental Funds Balances are **reserved, restricted, nonspendable and/or committed** to indicate they are not available for new spending as they are previously committed for:

1. Restricted for the Reserve for Emergencies (\$25,677)
2. Restricted Parks and Recreation (\$3,370)
3. Restricted for the Samuel Wade Road and Bridge (\$640,000)
4. Restricted for Airport Capital Improvements (\$6,642)
5. Committed for Capital Acquisitions (\$160,015)
6. Committed for Sidewalk Improvements (\$28,329)

## **TOWN OF PAONIA, COLORADO**

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### Management's Discussion And Analysis (*Continued*)

The Governmental Funds Balances indicate the lack of understanding and interpretation by the Town's previous administration as to how specifically the various monies and funds of the Town were to be restricted and for what purposes these funds could be expended. This lack of government finance knowledge and general management principles of public administration has placed the Town of Paonia in a very precarious financial position of having no unassigned Fund Balances that safeguard the Town's financial integrity.

Current Town Management has addressed planning efforts for the "Critical Cash Operating Concerns" for the Town of Paonia through the end of Fiscal Year 2015. Additionally future financial planning considerations for sustainability into 2016 and beyond are being reviewed by the Town in order to comply with State of Colorado Office of the State Auditor requirements concerning the significant deficit position of numerous Town funds.

The FY'2014 Town Audit begins the process of "righting the ship" specifically in regards to the restricted funds for the Samuel Wade Road and Bridge, as provided for in the Intergovernmental Agreement with Delta County adopted on January 11, 2011.

The Town of Paonia has a 75% ownership position in the North Fork Valley Airport combined with a 25% ownership position by Delta County. However, the Airport continues to not be reflected as a Fixed Asset of the Town of Paonia having negated all of the management, budgetary, financial and oversight responsibilities, even to the point of insurance coverages to Delta County.

Yet the Town remains financially committed to ongoing capital improvements in a cost-sharing arrangement with Delta County. The Town of Paonia must resolve its position related to the Airport as part of its plans for restoring financial integrity to our governmental entity.

Improved accounting systems were implemented in 2012 and to date that will also hopefully eliminate the potential for any recurrence of issues involving Town employee (W2) and contractor (1099) compensation that led to a federal IRS audit in 2014. The Town Finance Officer provided sufficient documentation to the IRS to resolve the pending issues; however, at a cost of over \$25,000 to the Town, that was not anticipated which further contributed to the deficit financial position of the Town at the end of Fiscal Year 2014.

To date, monies owed to the Town by at least one former employee as a result of the IRS audit have not been reimbursed, nor has the former Town employee amended their resulting year tax return so the Town could petition the IRS for reimbursement of monies paid on their behalf by the Town in order to resolve the outstanding audit issues and avoid further interest and penalties.

Discovered as well in the last few months of FY'2014 was a practice of exempt-level employees claiming overtime and payment for the same. This practice upon documented discovery and research was immediately ceased but at a cost of over \$20,000 for FY'2014 to the Town.



## **TOWN OF PAONIA, COLORADO**

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### Management's Discussion And Analysis (*Continued*)

The General Fund is the chief operating fund of the Town of Paonia. At the end of FY'2014, **Unassigned Fund Balance** of the General Fund was (\$690,077), while Total Fund Balance for the General Fund is (\$16,562).

These are **deficit** Fund Balances and, as a measure of the General Fund's liquidity, it may be useful to compare both Unassigned Fund Balance and Total Fund Balance to Total General Fund Expenditures of \$768,932 in relationship to Total General Fund Revenues of \$687,617.

Again, this reflects an "Excess Deficiency of Expenditures over Revenues," which is a significant issue and will be reported to the State of Colorado Office of the State Auditor in this report.

The Town of Paonia's **Enterprise Funds** provide the same type of information found in the Government-wide Financial Statements, but in more detail.

Unrestricted Net Position (Assets) of the Enterprise Funds at the end of the Fiscal Year 2014 is as follows:

1. Water Fund - \$3,732,142
2. Sanitation Fund - \$505,926

Restricted Net Position (Assets) of the Enterprise Funds at the end of FY'2014 is as follows:

1. Restricted for Water Storage - \$4,257
2. Restricted for Debt Service:
  - a. Water - \$0
  - b. Sanitation - \$80,893
3. Restricted for Water Maintenance - \$126,701

The "Change in Net Position" (Assets) for the Enterprise Funds is as follows:

1. Water Fund - increase of \$849,267
2. Sanitation Fund - decrease of \$108,393

Critical factors concerning the disposition of the finances of these two funds have already been addressed in the discussion of the Town of Paonia's Enterprise Funds business-type activities.

### **FY'2014 BUDGET AMENDMENT**

The Town of Paonia in January 2015 amended the Adopted FY'2014 Original Town Budget to reflect revisions to both estimated revenues and expenditures (unaudited).

## **TOWN OF PAONIA, COLORADO**

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### Management's Discussion And Analysis (*Continued*)

#### **CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets** are the Town of Paonia's investment in capital assets for its governmental and business-type activities as of December 31, 2014, which for this fiscal year amounts to \$11,513,661 (Net of Accumulated Depreciation). This investment in capital assets includes land, buildings, construction in progress, improvements other than buildings, infrastructure and equipment.

Major capital asset events during Fiscal Year 2014 included the improvements and upgrades to the Town's Water System in response to the State of Colorado Department of Public Health Drinking Water Enforcement Order.

Additional information on the Town of Paonia's Capital Assets can be found in Note 13 on pages 33 through 34 of this report.

#### **TOWN OF PAONIA'S OUTSTANDING DEBT**

**Long-term debt** at the end of Fiscal Year 2014 for the Town of Paonia totaled debt outstanding of \$5,041,663, an increase of almost \$3,000,000 above the beginning total debt balance on January 1, 2014 of \$2,070,766.

The Town of Paonia's total debt increased during the Fiscal Year, due primarily to the Water System Improvements and Upgrades Projects.

The Town of Paonia has no General Obligation debt.

Additional information on the Town of Paonia's Long-term Debt (Liabilities) can be found in Note 6 on pages 24 through 27 of this report.

#### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The U.S. economy continued slow but measurable overall positive progress during 2014. Economic growth was slow and the unemployment rate saw a decline. The political battles in Congress and the growing federal deficit have led to constrained federal budgets, which translates into local governments doing more with less federal monies when addressing aging infrastructure, with no expectations to benefit from expanded federal programs and spending.

The Town of Paonia and Delta County are primarily agricultural-based economies. Formerly, mining was the major industry before the federal government shifted contracts to other coal providers, resulting in the closing of several mining operations and layoffs of workers in the region.

According to the State of Colorado Demographer's Office, the population of the Town of Paonia increased from 1,565 in 2013 to 1,656 in 2014.

## **TOWN OF PAONIA, COLORADO**

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### Management's Discussion And Analysis (*Continued*)

The Town of Paonia is the only community in the County of Delta that is growing in population according to the State of Colorado Demographer's Office. The Town, for much of its history, has been a regional center of commerce centered on mining and agriculture. Its position is enhanced by the fact that the Town has major State Highway 133 access. It is management's intent to continue controlling costs while strategically investing for the future.

The Real Property Tax Levy for the Fiscal Year ending December 31, 2014, generated \$99,913, a \$10,046 increase (10%) over 2013, the prior fiscal year.

Property Taxes - Statutory and Constitutional Limitations. Due to imposition of limitations on the mill levy and tax revenues through statutory and constitutional requirements, the mill levy has been reduced by a temporary tax credit over the last 10 years. In 2013, the Town approved a ballot issue removing the Town from the statutory property tax revenue limitations of CRS 29-1-301, et seq. (the "5.5%" TABOR limit commonly referred to as a De-Brucing measure), allowing the Town of Paonia to earn the entire mill levy of 8.322. Approval by the voters is required for an increase in the mill levy. Property tax revenues increase as a result of growth in the Town from new construction and annexations.

The Town increased Water rates only in 2014 due to the loan financing provisions for Water system improvements and upgrades. There are plans to increase Water, Sewer and Trash rates during the current FY'2015.

The Town expects increased fees from the revision of the fee schedule associated with the codification of the Town's Municipal Code in 2015.

All of these factors were considered in preparing the Town of Paonia's Budget for the year ending December 31, 2015.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Town of Paonia's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Manager Jane Berry, Town of Paonia, 214 Grand Avenue, PO Box 460, Paonia, Colorado 81428, and Telephone: (970) 527-4101.

Respectfully Presented By:

Jane A. Berry, Town Manager

# TOWN OF PAONIA, COLORADO

## STATEMENT OF NET POSITION For The Year Ended December 31, 2014

	Governmental Activities	Business- Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 196,606	\$ 785,114	\$ 981,720
Investments (Note 5)	10,732	—	10,732
Restricted cash and investments (Note 10)	640,000	85,150	725,150
Property taxes receivable	100,332	—	100,332
Accounts receivables	923,719	99,791	1,023,510
Grants receivable	—	3,000,000	3,000,000
Due from other governments	31,361	—	31,361
Internal balances	(411,164)	411,164	—
Inventories	—	107,674	107,674
Capital assets (Note 14)			
Nondepreciable	246,481	1,724,081	1,970,562
Depreciable, net of accumulated depreciation	2,911,548	6,631,551	9,543,099
<b>Total Assets</b>	<b>4,649,615</b>	<b>12,844,525</b>	<b>17,494,140</b>
<b>Liabilities</b>			
Accounts payable	43,974	7,132	51,106
Accrued payroll liabilities	923	8,825	9,748
Accrued interest payable	—	23,017	23,017
Unearned other revenue	640,000	—	640,000
Noncurrent liabilities			
Due within one year (Note 6)	27,270	174,457	201,727
Due in more than one year (Note 6)	79,283	4,867,206	4,946,489
<b>Total Liabilities</b>	<b>791,450</b>	<b>5,080,637</b>	<b>5,872,087</b>
<b>Deferred Inflows Of Resources</b>			
Deferred property tax revenue	100,332	—	100,332
<b>Net Position</b>			
Net investment in capital assets	3,074,038	3,313,969	6,388,007
Restricted for			
Emergencies (Note 3)	25,677	—	25,677
Bridge reserve	640,000	—	640,000
Airport capital improvements	6,642	—	6,642
Water utility maintenance	—	126,701	126,701
Water storage	—	4,257	4,257
Debt service (Note 6)	—	80,893	80,893
Unrestricted	11,476	4,238,068	4,249,544
<b>Total Net Position</b>	<b>\$ 3,757,833</b>	<b>\$ 7,763,888</b>	<b>\$ 11,521,721</b>

# TOWN OF PAONIA, COLORADO

## STATEMENT OF ACTIVITIES For The Year Ended December 31, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue And Changes In Net Position		
		Charges For Services And Fees	Operating Grants And Contributions	Capital Grants And Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
<b>Primary Government</b>							
<b>Governmental Activities</b>							
General government	\$ 1,134,887	\$ 16,949	\$ —	\$ 1,380,120	\$ 262,182	\$ —	\$ 262,182
Public safety	378,158	2,652	—	—	(375,506)	—	(375,506)
Public works	267,510	29,046	60,120	—	(178,344)	—	(178,344)
Culture and recreation	124,313	—	6,910	—	(117,403)	—	(117,403)
<b>Total Governmental Activities</b>	<b>1,904,868</b>	<b>48,647</b>	<b>67,030</b>	<b>1,380,120</b>	<b>(409,071)</b>	<b>—</b>	<b>(409,071)</b>
<b>Business-Type Activities</b>							
Water	523,768	583,427	—	901,296	—	960,955	960,955
Sanitation	662,436	505,941	—	3,750	—	(152,745)	(152,745)
<b>Total Business - Type Activities</b>	<b>1,186,204</b>	<b>1,089,368</b>	<b>—</b>	<b>905,046</b>	<b>—</b>	<b>808,210</b>	<b>808,210</b>
<b>Total Primary Government</b>	<b>\$ 3,091,072</b>	<b>\$ 1,138,015</b>	<b>\$ 67,030</b>	<b>\$ 2,285,166</b>	<b>(409,071)</b>	<b>808,210</b>	<b>399,139</b>
<b>General Revenues</b>							
<b>Taxes</b>							
Property taxes					99,913	—	99,913
Specific ownership					14,956	—	14,956
Sales taxes and miscellaneous					384,882	—	384,882
Franchise taxes					54,390	—	54,390
Miscellaneous					99,197	722	99,919
Severance tax					44,368	—	44,368
Mineral leasing					57,655	—	57,655
Investment earnings					8,473	3	8,476
<b>Transfers</b>					68,061	(68,061)	—
<b>Total General Revenues and Transfers</b>					<b>831,895</b>	<b>(67,336)</b>	<b>764,559</b>
<b>Changes In Net Position</b>					<b>422,824</b>	<b>740,874</b>	<b>1,163,698</b>
<b>Net Position - Beginning Of Year, As Restated (Note 18)</b>					<b>3,335,009</b>	<b>7,023,014</b>	<b>10,358,023</b>
<b>Net Position - End Of Year</b>					<b>\$ 3,757,833</b>	<b>\$ 7,763,888</b>	<b>\$ 11,521,721</b>

**TOWN OF PAONIA, COLORADO**  
**GOVERNMENTAL FUNDS - BALANCE SHEET**  
**December 31, 2014**

Assets						
	General Fund	Sales Tax Capital Improvement Fund	Conservation Trust Fund	Grant Project Fund	Sidewalk Fund	Total Governmental Funds
<b>Assets</b>						
Cash and cash equivalents	\$ 7,002	\$ 157,905	\$ 3,370	\$ —	\$ 28,329	\$ 196,606
Restricted cash and investments	640,000	—	—	—	—	640,000
Investments	10,732	—	—	—	—	10,732
Taxes receivable	100,332	—	—	—	—	100,332
Due from other governments	22,891	8,470	—	—	—	31,361
Prepaid payroll taxes	1,196	—	—	—	—	1,196
Accounts receivable	7,427	—	—	916,292	—	923,719
<b>Total Assets</b>	<b>\$ 789,580</b>	<b>\$ 166,375</b>	<b>\$ 3,370</b>	<b>\$ 916,292</b>	<b>\$ 28,329</b>	<b>\$ 1,903,946</b>
<b>Liabilities, Deferred Inflows Of Resources And Fund Balance</b>						
<b>Liabilities</b>						
Accounts payable	\$ 10,138	\$ 6,360	\$ —	\$ 27,476	\$ —	\$ 43,974
Accrued payroll liabilities	—	—	—	2,119	—	2,119
Due to other funds	55,672	—	—	355,492	—	411,164
Unearned revenue bridge agreement	640,000	—	—	—	—	640,000
<b>Total Liabilities</b>	<b>705,810</b>	<b>6,360</b>	<b>—</b>	<b>385,087</b>	<b>—</b>	<b>1,097,257</b>
<b>Deferred Inflows Of Resources</b>						
Deferred property tax revenue	100,332	—	—	—	—	100,332
<b>Fund Balances</b>						
Nonspendable	1,196	—	—	—	—	1,196
Restricted						
Reserve for emergencies	25,677	—	—	—	—	25,677
Parks and recreation	—	—	3,370	—	—	3,370
Bridge reserve	640,000	—	—	—	—	640,000
Aiport capital improvements	6,642	—	—	—	—	6,642
Committed - capital acquisition	—	160,015	—	—	—	160,015
Committed - sidewalk improvement	—	—	—	—	28,329	28,329
Unassigned	(690,077)	—	—	531,205	—	(158,872)
<b>Total Fund Balance</b>	<b>(16,562)</b>	<b>160,015</b>	<b>3,370</b>	<b>531,205</b>	<b>28,329</b>	<b>706,357</b>
<b>Total Liabilities, Deferred Inflows Of Resources And Fund Balance</b>	<b>\$ 789,580</b>	<b>\$ 166,375</b>	<b>\$ 3,370</b>	<b>\$ 916,292</b>	<b>\$ 28,329</b>	<b>\$ 1,903,946</b>

# TOWN OF PAONIA, COLORADO

## RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION December 31 2014

<b>Total Fund Balance - Governmental Funds</b>		\$	706,357
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.			
Governmental capital assets		\$	4,520,117
Less: Accumulated depreciation			<u>(1,362,088)</u>
			3,158,029
Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position. Balances at year end are:			
Compensated absences			(22,562)
Capital lease payable			<u>(83,991)</u>
			(106,553)
<b>Net Position Of Governmental Activities In The Statement Of Net Position</b>		\$	<u><u>3,757,833</u></u>

# TOWN OF PAONIA, COLORADO

## GOVERNMENTAL FUNDS - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES For The Year Ended December 31, 2014

	General Fund	Sales Tax Capital Improvement Fund	Conserv- ation Trust Fund	Grant Project Fund	Sidewalk Fund	Total Govern- mental Funds
<b>Revenues</b>						
Taxes	\$ 410,742	\$ 143,399	\$ —	\$ —	\$ —	\$ 554,141
Fees and fines	2,652	—	—	—	29,046	31,698
Licenses and permits	16,949	—	—	—	—	16,949
Intergovernmental	162,143	—	6,910	532,200	—	701,253
Miscellaneous	95,131	12,537	2	—	—	107,670
<b>Total Revenues</b>	<b>687,617</b>	<b>155,936</b>	<b>6,912</b>	<b>532,200</b>	<b>29,046</b>	<b>1,411,711</b>
<b>Expenditures</b>						
Current						
General government	153,756	11,373	—	959,199	717	1,125,045
Public safety	359,519	—	—	—	—	359,519
Public works	173,283	—	—	—	—	173,283
Culture and recreation	82,374	—	4,999	—	—	87,373
Capital outlay	—	141,437	—	—	—	141,437
<b>Total Expenditures</b>	<b>768,932</b>	<b>152,810</b>	<b>4,999</b>	<b>959,199</b>	<b>717</b>	<b>1,886,657</b>
<b>Excess (Deficiency) Of Revenues Over (Under) Expenditures</b>	<b>(81,315)</b>	<b>3,126</b>	<b>1,913</b>	<b>(426,999)</b>	<b>28,329</b>	<b>(474,946)</b>
<b>Other Financing Sources (Uses)</b>						
Transfers in	25,896	—	—	110,284	—	136,180
Transfers out	(65,787)	(2,332)	—	—	—	(68,119)
Payment of principal and interest on capital lease	—	(16,759)	—	—	—	(16,759)
Proceeds on principal forgiveness loan	—	—	—	847,920	—	847,920
Proceeds from capital lease	—	98,000	—	—	—	98,000
<b>Total Other Financing Sources (Uses)</b>	<b>(39,891)</b>	<b>78,909</b>	<b>—</b>	<b>958,204</b>	<b>—</b>	<b>997,222</b>
<b>Net Change To Fund Balance</b>	<b>(121,206)</b>	<b>82,035</b>	<b>1,913</b>	<b>531,205</b>	<b>28,329</b>	<b>522,276</b>
<b>Fund Balance, January 1, As Restated (Note 18)</b>	<b>104,644</b>	<b>77,980</b>	<b>1,457</b>	<b>—</b>	<b>—</b>	<b>184,081</b>
<b>Fund Balance, December 31</b>	<b>\$ (16,562)</b>	<b>\$ 160,015</b>	<b>\$ 3,370</b>	<b>\$ 531,205</b>	<b>\$ 28,329</b>	<b>\$ 706,357</b>



## TOWN OF PAONIA, COLORADO

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### RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES For The Year Ended December 31, 2014

**Net Changes In Fund Balances - Total Governmental Funds** \$ 522,276

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Fixed assets current additions	\$ 141,437	
Depreciation expense	<u>(155,131)</u>	
Excess of depreciation over capital outlay		(13,694)

Proceeds from capital lease (98,000)

Loss on disposal of assets is reported in the statement of activities, but is not recorded in the governmental funds.

Loss on disposal of assets		(13,199)
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Payment of principle on capital leases is reported as expenditures in the governmental funds when actually paid. However, on the government-wide statement of net position, principle payments are recorded as a decrease in liability, and there is no effect on the statement of activities.

14,009

Payment of compensated absences is reported as expenditures in the governmental funds when actually paid. However, on the government-wide statement of activities, compensated absences are expensed as they are accrued. Changes in the compensated absences liability are a reconciling item.

11,432

**Changes In Net Position Of Governmental Funds** \$ 422,824

# TOWN OF PAONIA, COLORADO

## STATEMENT OF NET POSITION - ENTERPRISE FUNDS

December 31, 2014

	Water Fund	Sanitation Fund	Total Enterprise Funds
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 323,177	\$ 461,937	\$ 785,114
Restricted cash	4,257	80,893	85,150
Accounts receivable, net	50,559	49,232	99,791
Grants receivable	3,000,000	—	3,000,000
Due from other funds	411,164	—	411,164
Inventories	101,782	5,892	107,674
<b>Total Current Assets</b>	<b>3,890,939</b>	<b>597,954</b>	<b>4,488,893</b>
<b>Capital Assets</b>			
Land and improvements	269,777	564,380	834,157
Construction in progress	889,924	—	889,924
Utility system	5,012,618	5,095,752	10,108,370
Equipment and furniture	197,732	258,164	455,896
Less: Accumulated depreciation	(2,645,066)	(1,287,649)	(3,932,715)
<b>Total Capital Assets</b>	<b>3,724,985</b>	<b>4,630,647</b>	<b>8,355,632</b>
<b>Total Assets</b>	<b>7,615,924</b>	<b>5,228,601</b>	<b>12,844,525</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable	3,582	3,550	7,132
Accrued payroll liabilities	3,729	5,096	8,825
Accrued interest payable	20,528	2,489	23,017
Current portion of long-term debt	148,850	25,607	174,457
<b>Total Current Liabilities</b>	<b>176,689</b>	<b>36,742</b>	<b>213,431</b>
Long-term debt	3,162,274	1,704,932	4,867,206
<b>Net Position</b>			
Net investment in capital assets	413,861	2,900,108	3,313,969
Restricted for water storage	4,257	—	4,257
Restricted for debt service	—	80,893	80,893
Restricted for water maintenance	126,701	—	126,701
Unrestricted	3,732,142	505,926	4,238,068
<b>Total Net Position</b>	<b>\$ 4,276,961</b>	<b>\$ 3,486,927</b>	<b>\$ 7,763,888</b>

# TOWN OF PAONIA, COLORADO

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - ENTERPRISE FUNDS For The Year Ended December 31, 2014

	Enterprise Funds		
	Water Fund	Sanitation Fund	Total
<b>Operating Revenues</b>			
Charges for services	\$ 583,427	\$ 505,941	\$ 1,089,368
<b>Operating Expenses</b>			
Personal services	197,311	270,630	467,941
Contractual services	13,004	30,115	43,119
Utilities	14,575	52,608	67,183
Repairs and maintenance	15,370	52,043	67,413
Other supplies and expenses	34,855	63,474	98,329
Insurance claims and expenses	21,297	7,111	28,408
Depreciation	166,844	109,974	276,818
<b>Total Operating Expenses</b>	<b>463,256</b>	<b>585,955</b>	<b>1,049,211</b>
<b>Operating Income (Loss)</b>	<b>120,171</b>	<b>(80,014)</b>	<b>40,157</b>
<b>Nonoperating Revenues (Expenses)</b>			
Interest income	3	—	3
Interest expense	(60,512)	(76,481)	(136,993)
Miscellaneous revenue	722	—	722
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(59,787)</b>	<b>(76,481)</b>	<b>(136,268)</b>
<b>Income (Loss) Before Transfers And Capital Contributions</b>	<b>60,384</b>	<b>(156,495)</b>	<b>(96,111)</b>
<b>Transfers In</b>	<b>—</b>	<b>65,787</b>	<b>65,787</b>
<b>Transfers Out</b>	<b>(112,413)</b>	<b>(21,435)</b>	<b>(133,848)</b>
<b>Capital Contributions</b>	<b>901,296</b>	<b>3,750</b>	<b>905,046</b>
<b>Change In Net Position</b>	<b>849,267</b>	<b>(108,393)</b>	<b>740,874</b>
<b>Total Net Position, Beginning Of Year, As Restated (Note 18)</b>	<b>3,427,694</b>	<b>3,595,320</b>	<b>7,023,014</b>
<b>Total Net Position - End Of Year</b>	<b>\$ 4,276,961</b>	<b>\$ 3,486,927</b>	<b>\$ 7,763,888</b>

# TOWN OF PAONIA, COLORADO

## STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS For The Year Ended December 31, 2014

	Water Fund	Sanitation Fund	Total Enterprise Funds
<b>Cash Flows From Operating Activities</b>			
Cash received from charges for services	\$ 575,596	\$ 510,741	\$ 1,086,337
Cash payments for goods and services	(103,991)	(202,096)	(306,087)
Cash payments to employees for services	(193,582)	(265,534)	(459,116)
<b>Net Cash Provided By Operating Activities</b>	<b>278,023</b>	<b>43,111</b>	<b>321,134</b>
<b>Cash Flows From Noncapital Financing Activities</b>			
Transfers in	—	65,787	65,787
Transfers out	(112,413)	(21,435)	(133,848)
Loan to other funds	(411,164)	—	(411,164)
Miscellaneous revenues	722	—	722
<b>Net Cash Provided By (Used In) Noncapital Financing Activities</b>	<b>(522,855)</b>	<b>44,352</b>	<b>(478,503)</b>
<b>Cash Flows From Capital And Related Financing Activities</b>			
Tap fees	—	3,750	3,750
Principal paid on loans and leases	(26,502)	(24,526)	(51,028)
Interest expense	(60,512)	(76,481)	(136,993)
<b>Net Cash Used In Capital And Related Financing Activities</b>	<b>(87,014)</b>	<b>(97,257)</b>	<b>(184,271)</b>
<b>Cash Flows From Investing Activities</b>			
Interest on investments	3	—	3
<b>Net Decrease In Cash And Equivalents</b>	<b>(331,843)</b>	<b>(9,794)</b>	<b>(341,637)</b>
<b>Cash Balances - Beginning Of Year</b>	<b>659,277</b>	<b>552,624</b>	<b>1,211,901</b>
<b>Cash Balances - End Of Year</b>	<b>\$ 327,434</b>	<b>\$ 542,830</b>	<b>\$ 870,264</b>
<b>Reconciliation Of Operating Income (Loss) To Net Cash Provided By (Used In) Operating Activities</b>			
Operating income (loss)	\$ 120,171	\$ (80,014)	\$ 40,157
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	166,844	109,974	276,818
Cost of issuance expense	21,924	—	21,924
Assets (increase) decrease			
Accounts receivables	(7,829)	4,800	(3,029)
Inventory	(49,903)	3,012	(46,891)
Liabilities increase (decrease)			
Accounts payable	2,559	278	2,837
Accrued payroll liabilities	3,729	5,096	8,825
Accrued interest payable	20,528	(35)	20,493
<b>Total Adjustments</b>	<b>157,852</b>	<b>123,125</b>	<b>280,977</b>
<b>Net Cash Provided By Operating Activities</b>	<b>\$ 278,023</b>	<b>\$ 43,111</b>	<b>\$ 321,134</b>
<b>Schedule Of Noncash Capital and Financing Activities:</b>			
Capital contributions	\$ 901,298	\$ —	\$ 901,298
Issuance of debt related to reimbursable grant activities	3,000,000	—	3,000,000

# TOWN OF PAONIA, COLORADO

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## NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2014

### 1. Summary Of Significant Accounting Policies

The financial statements of the Town of Paonia, Colorado (the Town), have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Town's significant accounting policies are described below:

#### **Financial Reporting Entity**

The Town is a statutory municipality with a mayor - council form of government with six trustees and one separately elected mayor serving as elected Town Board members. The Town manager is also an appointed position of the Town. As required by GAAP, these financial statements present the Town (the primary government). The Town has no oversight responsibility for any other governmental entity since no other entities are considered to be controlled by or dependent on the Town. Control or dependence is determined on the basis of budget adoption, taxing authority, funding and appointment of the respective governing body.

#### **Government-Wide Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes, charges for services and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on user charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to those who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

## TOWN OF PAONIA, COLORADO

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### Notes To Basic Financial Statements (*Continued*)

#### **Fund Financial Statements**

The accounts of the Town are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

All governmental funds are accounted for on a flow of current financial resources basis. Balance sheets for these funds generally include only current assets and current liabilities. Reported fund balances are considered a measure of available, spendable resources. Operating statements for these funds present a summary of available, spendable resources and expenditures for the period.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The Town reports the following major governmental funds:

- The *General Fund* is the Town's primary operating fund. It accounts for all financial resources of the Town, except those required to be accounted for in another fund.
- The *Sales Tax Capital Improvement Fund*, which accounts for the Town's additional sales tax that is to be used for capital improvements.
- The *Conservation Trust Fund*, which accounts for State of Colorado lottery funds to be used for parks and recreation services and capital investment.
- The *Grant Project Fund*, which accounts for the Town's grant activity to be used for capital improvements.
- The *Sidewalk Fund*, which accounts for the Town's sidewalk fees that are to be used for sidewalk repairs and maintenance.

## TOWN OF PAONIA, COLORADO

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### Notes To Basic Financial Statements (*Continued*)

Enterprise funds account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. Enterprise funds are considered major funds because of community interests in the activities and sources of funding supporting these operations.

The Town reports the following major enterprise fund business-type activities:

- *Water and Sanitation Funds*, which account for all operations of the Town's water, sewer and refuse services. They are primarily financed by user charges.

#### **Measurement Focus And Basis Of Accounting**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the enterprise fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The modified accrual basis of accounting is used by all governmental funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt, which is recognized when due, and compensated absences, which are recognized when the obligations are expected to be liquidated with expendable available resources.

Those revenues susceptible to accrual are interest revenue and charges for services. Entitlement revenues are not susceptible to accrual because, generally, they are not measurable until received. Grant revenues are recognized as they are earned.

## **TOWN OF PAONIA, COLORADO**

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### Notes To Basic Financial Statements (*Continued*)

#### **Deferred Inflows Of Resources**

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises under both the full (government-wide financial statement) and the modified accrual (fund financial statement) bases of accounting, that qualified for this reporting in this category. Accordingly, the item deferred property taxes is reported in both the statement of net position and in the balance sheet of governmental funds. These future revenues are deferred and recognized as an inflow of resources in the period that the amounts become available (calendar year 2015).

#### **Cash And Cash Equivalents**

For purposes of the statement of cash flows of the enterprise funds, cash and cash equivalents consist of operating and restricted cash and highly liquid securities with an initial maturity of three months or less.

#### **Use Of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### **Property Taxes**

Property taxes for the current year are levied and attach as a lien on property the following January 1. They are payable in full by April 30 or in two equal installments due February 28 and June 15. Property taxes levied in the current year and collected in the following year are reported as a receivable and as deferred inflows of resources at December 31.

#### **Capital Assets**

Capital assets, which include property, equipment and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capitalized assets are defined by the Town as assets that have a useful life of one or more years, and for which the initial, individual value equals or exceeds \$5,000.



## TOWN OF PAONIA, COLORADO

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### Notes To Basic Financial Statements (*Continued*)

All purchased assets are valued at cost where historical records are available and at estimated historical costs where no historical records exist. Donated assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs that does not add to the value of an asset or materially extend asset life is not capitalized.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

<u>Asset Class</u>	<u>Useful Life</u>
Building and other improvements	25 - 40 years
Water and sewer systems	15 - 40 years
Furniture and equipment	5 - 10 years
Infrastructure	15 - 40 years

Public domain assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are examples of infrastructure assets. Infrastructure assets are distinguished from other capitalized assets as their useful lives often extend beyond most other capital assets, and they are stationary in nature. General infrastructure assets are those associated with or arising from governmental activities.

### **Long-Term Liabilities**

In the government-wide financial statements and enterprise fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities or enterprise fund type statement of net position. The long-term compensated absences are serviced from revenues of the General Fund from future appropriations. No interest costs were capitalized in 2014.

### **Compensated Absences**

Vacation time is accumulated at the rate of 10 days a year for employees with 1 to 10 years of service. After 10 years of service, 15 days per year is the rate, and for 15 years of service and after, 20 days per year is the rate, with a maximum accumulation of vacation time of 96 hours. Unused vacation time is paid out to employees at 50% of their salaried rates up to the maximum allowed. Sick leave accumulates at 12 days per year with a maximum unused sick leave accumulated at 320 hours. Sick leave will be paid at a rate of 25% of pay upon termination.

## **TOWN OF PAONIA, COLORADO**

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### Notes To Basic Financial Statements (*Continued*)

#### **Net Position**

Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets.

Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted. The Town applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

#### **Interfund Transactions**

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. At year end, outstanding balances between funds are reported as “due to/from other funds.” Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

#### **Inventory**

Inventory is valued at the lower of cost (first-in, first-out) or market.

#### **Fund Balance**

In the fund financial statements, governmental funds report the following classification of fund balance:

- *Nonspendable fund balance*: amounts that are not in spendable form (such as inventory) or are required to be maintained intact;
- *Restricted fund balance*: amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions or by enabling legislation;

## **TOWN OF PAONIA, COLORADO**

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### Notes To Basic Financial Statements (*Continued*)

- *Committed fund balance:* amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint;
- *Assigned fund balance:* amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority (the Town Manager has been given this authority by the governing body); and
- *Unassigned fund balance:* amounts that are available for any purpose; positive amounts are reported only in the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds and finally unassigned funds, as needed, unless the Town Council has provided otherwise in its commitment or assignment actions.

## **2. Reconciliation Of Government-Wide And Fund Financial Statements**

The governmental funds balance sheet includes a reconciliation between the total fund balances - governmental funds and net position - governmental activities as reported in the government-wide statement of net position. Additionally, the governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between net change in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities.

These reconciliations detail items that require adjustment to convert from the current resources measurement and modified accrual basis for government fund statements to the economic resources measurement and full accrual basis used for government-wide statements. However, certain items having no effect on measurement and basis of accounting were eliminated from the governmental fund statements during the consolidation of governmental activities.

### **3. Tax, Spending And Debt Limitations**

Colorado voters passed an amendment to the State Constitution, Article X, Section 20 (the Amendment), which has several limitations, including revenue raising, spending abilities and other specific requirements of state and local governments, excluding “enterprises.” The Town’s voters on November 8, 1994 approved a ballot measure to permit the Town to collect, retain and expend the full proceeds of the Town’s sales tax and nonfederal grants.

The Amendment is complex and subject to judicial interpretation. The Town believes it is in compliance with the requirements of the Amendment.

The Amendment requires that an emergency reserve be maintained at three percent of fiscal year spending. A portion of the General Fund’s fund balance is classified as restricted for emergencies as required by the Amendment. The amount restricted at December 31, 2014 was \$25,677.

### **4. Budgets**

The Town adheres to the following procedures in establishing budgetary data reflected in the financial statements:

- By mid-August of each year, the Town Manager, as the Budget Officer, gives public notice of the budget calendar for the next fiscal year. The Town Manager asks that all Town departments, boards, commissions or citizens submit, within 30 days from the notice, any request for funds under the budget being prepared. The Town Manager, with assistance from the Town Finance Officer, then prepares a proposed budget for the ensuing fiscal year and submits it to the Town Board no later than 45 days prior to any date required by state law for the certification to Delta County (the County) of the tax levy.
- The budget provides a complete financial plan of all Town funds and activities for the ensuing fiscal year indicating anticipated revenues, proposed operating and capital expenditures, a provision for contingencies and anticipated net surplus or deficit for the ensuing fiscal year.
- A public hearing on the proposed budget is held by the Town Board by no later than early December.

## **TOWN OF PAONIA, COLORADO**

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### Notes To Basic Financial Statements (*Continued*)

- The Town Board adopts the budget by resolution on or before the final day established by law for the certification of the ensuing year's tax levy to the County. Adoption of the budget by the Town Board shall constitute appropriations of the amounts specified therein as expenditures from the funds indicated and shall constitute a levy of the property tax therein proposed.
- If, during the fiscal year, the Town Manager and the Town Finance Officer determine that there are expenses in excess of those estimated in the budget, the Town Board by resolution may make supplemental appropriations for the year up to the amount of such excess. To meet an emergency affecting public property, health, peace or safety, the Town Board may make emergency appropriations. If, at any time during the fiscal year, it appears probable to the Town Manager and Town Finance Officer that the revenues available will be insufficient to meet the amount appropriated, the Town Manager reports to the Town Board, indicating the estimated amount of deficit, any remedial action already taken and a recommendation as to any other steps to be taken. At any time during the fiscal year, the Town Manager as Budget Officer may transfer part or all of any unencumbered appropriation balance within a department.
- Budget appropriations lapse at the end of each year.
- Expenditures may not exceed appropriations at the fund level. Budget amounts included in the financial statements are based on the final amended budget. There were several revisions made to the original budget for 2014.
- Budgets for governmental funds are adopted on a basis consistent with GAAP, except for long-term receivables and advances and capital lease financing, which are budgeted when liquidated rather than when the receivable/liability is incurred. Budgets for enterprise funds are adopted on a basis consistent with the spending measurement focus of the governmental funds.

## **5. Deposits And Investments**

### **Deposits**

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories; eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group.

The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. Collateral in the pool is considered to be equal to depository insurance pursuant to definitions listed in GASB Statement No. 40.

At December 31, 2014, the bank balance of the Town's deposits was \$1,411,621, of which \$500,000 was covered by federal depository insurance and \$911,621 was collateralized under PDPA.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest. Authorized investments include obligations of the United States and certain U.S. government agency securities, certain international agency securities, general obligation and revenue bonds of U.S. local government entities, bankers' acceptances of certain banks, commercial paper, local government investment pools, written repurchase agreements collateralized by certain authorized securities, certain money market funds and guaranteed investment contracts. The Town's investment policy follows Colorado statutes.

The Town had invested \$25 in the Colorado Statewide Investment Program (CSIP), which is an investment vehicle established for local government entities in Colorado to pool surplus funds. CSIP operates similarly to money market funds and each share is equal in value to \$1.00. Investments of CSIP consist of U.S. Treasury bills, notes and note strips and repurchase agreements collateralized by U.S. Treasury securities. A designated custodial bank provides safekeeping and depository services to CSIP in connection with the direct investment and withdrawal functions of CSIP. Substantially all securities owned by CSIP are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by CSIP. These pools are not required to and are not registered with the SEC. CSIP funds are rated AAAM by Standard and Poor's, Fitch's and Moody's rating services.

## TOWN OF PAONIA, COLORADO

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### Notes To Basic Financial Statements (*Continued*)

Investments in First Financial Equity Corporation at December 31, 2014 are as follows:

	<u>Rating</u>	<u>Fair Value</u>
FHLB	AA+	\$ 160,016
FHLB STEP CPN	AA+	174,746
FNMA STEP CPN	AA+	170,002
Money market account	Unrated	5,943
<b>Total</b>		<b>\$ 510,707</b>

**Interest Rate Risk** - The Town does not have a formal policy limiting investment maturities which would help manage its exposure to fair value losses from increasing interest rates, other than that of five years, which was established by the state statute.

**Credit Risk** - Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. It is the Town's policy to limit its investments to U.S. Treasury obligations, certain U.S. government agencies securities, commercial paper, local government investment pools, repurchase agreements and money market funds.

**Custodial Credit Risk** - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Town follows Colorado state statutes for investing. The Town's investment policy does not specifically address this risk.

## TOWN OF PAONIA, COLORADO

### Notes To Basic Financial Statements (*Continued*)

The Town maintains a cash pool that is available to the General Fund, special revenue funds and enterprise funds.

#### Cash And Investments

Cash on hand	\$	150
Cash with County Treasurer		1,189
Deposits		1,205,531
Investments		
First Financial Equity Corporation		510,707
CSIP		25
<b>Total</b>	<b>\$</b>	<b>1,717,602</b>

#### Cash And Investments

Cash and cash equivalents	\$	981,720
Investments		10,732
Restricted cash and investments		725,150
<b>Total</b>	<b>\$</b>	<b>1,717,602</b>

## 6. Long-Term Liabilities

	Balance			Balance		Due
	January 1,	Additions	Reductions	December 31,	Within	One Year
	2014			2014	One Year	
<b>Governmental Activities</b>						
Compensated absences	\$ 33,994	\$ 22,562	\$ 33,994	\$ 22,562	\$	11,750
Capital lease equipment	—	98,000	14,009	83,991		15,520
Principal forgiveness loan - CWRPDA	—	847,920	847,920	—		—
<b>Total</b>	<b>\$ 33,994</b>	<b>\$ 968,482</b>	<b>\$ 895,923</b>	<b>\$ 106,553</b>	<b>\$</b>	<b>27,270</b>
<b>Business-Type Activities</b>						
RUS loan	\$ 1,755,065	\$ —	\$ 24,526	\$ 1,730,539	\$	25,607
Loan - WPA	—	2,996,494	7,799	2,988,695		129,418
Premium - WPA	—	25,431	807	24,624		1,211
Loan - CWRPDA	315,701	—	17,896	297,805		18,221
<b>Total</b>	<b>\$ 2,070,766</b>	<b>\$ 3,021,925</b>	<b>\$ 51,028</b>	<b>\$ 5,041,663</b>	<b>\$</b>	<b>174,457</b>



## TOWN OF PAONIA, COLORADO

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### Notes To Basic Financial Statements (*Continued*)

#### **RUS Loan Payable**

The Town has an obligation to the U.S. Department of Agriculture's Rural Utilities Service (RUS) bearing interest at 4.375%. The bonds are payable in semi-annual installments of \$50,521, including interest, and is collateralized by the sewer system's pledged revenues through 2046, which is approximately \$3,250,000. Pledged revenues received amounted to \$101,042 during the year. The proportion of the pledged revenue to total sewer revenue is not estimable because annual total fees collected fluctuate. The purpose of the bonds was for construction improvements to the wastewater treatment plant and collection system. Principal and interest payments for the years following December 31, 2014 are as follows:

	<u>Principal</u>	<u>Interest</u>
2015	\$ 25,607	\$ 75,435
2016	26,739	74,303
2017	27,922	73,120
2018	29,157	71,885
2019	30,446	70,596
2020 - 2024	173,662	331,548
2025 - 2029	215,617	289,593
2030 - 2034	267,708	237,502
2035 - 2039	332,383	172,827
2040 - 2044	412,683	92,527
2045 - 2046	188,615	10,328
<b>Total</b>	<u>\$ 1,730,539</u>	<u>\$ 1,499,664</u>

This loan requires a debt service reserve. See Note 10 for more information on this requirement.

#### **CWRPDA Loan**

The Town has a loan agreement with the Colorado Water Resources and Power Development Authority (CWRPDA) to borrow up to \$448,200 at 1.75% interest annually, with payments of \$23,343 per year. The purpose of the loan was for upgrades to the water treatment plant. The Town pledged its net revenue from the operation of the water utility for repayment of the loan in the amount of approximately \$338,000 through 2029. Pledge revenues received during 2014 were \$23,343. The proportion of the pledged revenue to total related revenues is not estimable because annual total fees collected fluctuate. The Town is required to provide rates and charges in order to maintain coverage of 110% of the debt service due on the governmental agency bond coming due in each calendar year.

## TOWN OF PAONIA, COLORADO

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### Notes To Basic Financial Statements (*Continued*)

As of December 31, 2014, the Town borrowed \$395,969, of which the Town has made principal payments of \$98,164 with a remaining loan balance of \$297,805. Principal and interest payments for the years following December 31, 2014 are as follows:

	<u>Principal</u>	<u>Interest</u>
2015	\$ 18,221	\$ 5,132
2016	18,531	4,811
2017	18,857	4,486
2018	19,188	4,155
2019	19,526	3,818
2020 - 2024	102,898	13,821
2025 - 2029	100,584	4,453
<b>Total</b>	<b>\$ 297,805</b>	<b>\$ 40,676</b>

### WPA Loan

The Town has a loan agreement with CWRPDA for \$2,996,494 at 1.75% interest annually, with twice yearly payments ranging from about \$83,000 to \$91,000. The purpose of the loan is for improvements and the expansion of existing water treatment facilities, including construction of a new water storage tank and rehabilitation of an existing water storage tank. The Town pledged its net revenue from the operation of the water utility for repayment of the loan in the amount of approximately \$3,707,000 through 2035. Pledge revenues received during 2014 were \$21,219. The proportion of the pledged revenue to total related revenues is not estimable because annual total fees collected fluctuate. The Town is required to provide rates and charges in order to maintain coverage of 110% of the debt service due on the governmental agency bond coming due in each calendar year. Principal and interest payments for the years following December 31, 2014 are as follows:

	<u>Principal</u>	<u>Interest</u>
2015	\$ 129,418	\$ 44,075
2016	130,792	49,268
2017	132,512	48,468
2018	133,886	47,268
2019	127,806	46,068
2020 - 2024	655,534	214,590
2025 - 2029	702,176	179,350
2030 - 2034	800,748	84,878
2035	175,823	4,307
<b>Total</b>	<b>\$ 2,988,695</b>	<b>\$ 718,272</b>

## **TOWN OF PAONIA, COLORADO**

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### Notes To Basic Financial Statements (*Continued*)

The loan balance includes a premium of \$25,431, which will be amortized over the life of the loan on a straight-line basis. Yearly amortization will be \$807. The remaining premium balance is \$24,624 as of December 31, 2014.

The Town did not receive cash in advance with the note transaction above, but submits expense reimbursements to CWRPDA as the construction work on the project progresses. Accordingly, at December 31, 2014, the Town has an outstanding receivable balance of \$3,000,000 relating to the ultimate reimbursement it will receive in accordance with the agreement.

The agreement states that the Town must maintain an operation and maintenance reserve in an amount equal to three months of operating expense, excluding depreciation of the water utility system, as set forth in the annual budget. At no time should the budget reserve be greater than \$1,250,000. As of December 31, 2014, the Town's budgeted reserve was \$126,701.

#### **Principal Forgiveness Loan**

On May 29, 2014, the Town entered into a principle forgiveness loan with the CWRPDA for expansion of the water treatment facilities, construction of a new water storage tank and rehabilitation of an existing water storage tank. This loan is being accounted for within the grant project fund. The loan is to finance capital projects for the water system. The total principal amount under the agreement is \$847,920 and was forgiven at the time of closing on the loan. Accordingly, the grant fund recorded \$847,920 of principal forgiveness revenue and a related receivable during 2014. The Town spent \$316,715 during 2014 on the related capital improvements and will obtain reimbursement from CWRPDA in 2015.

## TOWN OF PAONIA, COLORADO

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### Notes To Basic Financial Statements (*Continued*)

#### 7. Lease Agreements

The Town has entered into three capital lease commitments effective May and June 2014 in order to acquire public safety and public works vehicles and equipment. Monthly payments on the capital leases range from approximately \$550 to \$700 per lease. All leases are for 60 months, with maturity dates in May and June 2019. Future minimum lease obligation as of December 31, 2014 are as follows:

2015	\$	17,960
2016		21,552
2017		21,552
2018		21,552
2019		8,430
<hr/>		
Total		91,046
Less: Amount representing interest		7,055
<hr/>		
<b>Present Value Of Minimum</b>		
<b>Future Lease Payments</b>		
	\$	83,991

These capital leases represent agreements for certain capital assets, which have been included as governmental activities assets. Amortization is included in depreciation.

Vehicles	\$	98,000
Accumulated amortization		(9,690)
<hr/>		
<b>Net Capitalized Leases Equipment</b>	\$	88,310

#### 8. Retirement Plans

The Town provides pension benefits for all its employees through a defined contribution plan 401(b) through Dreyfus Company. The Town contributes 5%, and there are no matching requirements for the employees. Total contributions in 2014, 2013 and 2012 were \$10,108, \$19,677 and \$16,030, respectively. The employees are 100% vested at all times and are eligible for the plan after the probation period.

In May 2014, the Town changed its 401(b) plan through Dreyfus Company to a defined contribution plan 457(b) through Mutual of Omaha. The Town contributes 5%, and there are no matching requirements for the employees. Total contributions in 2014 were \$20,582. As the plan began in 2014, there were no associated contributions for 2013 or 2012. The employees are 100% vested at all times and are eligible for the plan after the probation period.

## **TOWN OF PAONIA, COLORADO**

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### Notes To Basic Financial Statements (*Continued*)

The Town contributes to a defined benefit retirement plan administered by the Fire and Police Pension Association (FPPA), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for employers of policemen and firemen who elect to participate in the system in the State of Colorado. FPPA issues stand-alone financial statements, which can be obtained at [www.fppaco.org](http://www.fppaco.org). The system administers a separate fund for police officers. A contribution of \$32,372, \$38,423 and \$38,423 was made to the plan in 2014, 2013 and 2012, respectively. These contribution consisted of the Town's contribution of \$16,322, \$24,755 and \$22,079 and the employee's contribution of \$16,050, \$19,416 and \$16,344, which is 7%, 8% and 8%, for 2014, 2013 and 2012, respectively, of the covered payroll per group of contributors.

Police officers' benefits become vested after 20 years of service and age 55 or after 25 years of service. Vested employees who retire are entitled to receive an annual retirement benefit, payable monthly for life, in an amount equal to  $\frac{1}{2}$  of 1 month's salary at the time of retirement, plus any vested rank escalation. Rank escalation benefits allow for increases in benefits equal to one half of any salary increases given to current Town employees in the retiree's last position. Benefits vested are limited to increases of 3% per year for inflation, as determined by the state.

The system also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute. The Town and the State of Colorado are required to contribute the remaining amounts necessary to fund the system, using the aggregate actuarial cost method specified by statute.

There are no securities or loans of the Town or any related party included in the assets of the plans.

## **9. Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters.

The Town is a member of the Colorado Intergovernmental Risk Sharing Agency (CIRSA), a public entity risk pool currently operating as a common risk management and insurance program for property/casualty and workers' compensation coverage. CIRSA is to be self-sustaining through member premiums and reinsures through commercial companies for claims in excess of certain limits for each insured event. CIRSA members are subject to a supplemental assessment in the event of a deficiency.

**10. Restricted Cash**

The Town has restricted cash in the Sanitation Fund of \$80,893 for the RUS loan and \$4,257 for the Water Fund for water storage. The RUS loan documents require that \$842 per each month be designated into restricted cash until the sum of \$101,040 is reached. In 2014, the Town designated \$10,165 into this debt service reserve account.

In January 2010, the Town entered into an intergovernmental agreement with the County. The Town has agreed to accept ownership of Samuel Wade Road and Bridge (the Bridge) in “as is” condition in exchange for \$800,000 from the County to be used only for transportation-related expenditures. The Town, in exchange, shall be responsible to maintain this section of the Bridge. If at any point there is noncompliance with the agreement terms, the title of the road will revert back to the County, and the Town will be responsible for return of the funds based on allocated use over the 20-year term of the agreement. The likelihood of noncompliance is considered remote. As of December 31, 2014, the Town has restricted cash in the governmental activities of \$640,000 related to this intergovernmental agreement.

**11. Defined Benefit Retirement Plan**

**Plan Description**

The Town initiated a defined benefit pension plan in 2007, which covers one former employee and is not available for new employees. Any changes in the plan’s provisions must be approved by the Board of Trustees. The Town has generally used the Water Fund to liquidate any net pension obligation as the plan’s participant was a former Town Manager. There is no separate trust or plan administrator for the plan.

The schedule of funding progress is included in the required supplementary information (RSI) section following the notes to the financial statements. The schedule of funding progress presents as RSI multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**Funding Policy**

The pension plan is closed and has no participants who are current employees. The Town funds the plan on a pay-as-you-go basis.

## TOWN OF PAONIA, COLORADO

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### Notes To Basic Financial Statements (*Continued*)

#### **Annual Pension Cost**

For 2014, the Town's annual pension cost for the plan of \$20,160, equal to the Town's required and actuarially determined contributions.

The Town's annual pension cost and net pension obligation for the current year were as follows:

Annual pension cost	\$ 20,160
Contributions made	<u>(20,160)</u>
Increase (decrease) in net pension obligation (asset)	<u>—</u>
<b>Net Pension Obligation - Beginning Of Year (Asset)</b>	<u>—</u>
<b>Net Pension Obligation - End Of Year (Asset)</b>	<u><u>\$ —</u></u>

The contribution made was to the participant directly and paid out of the Water Fund.

The required contribution was determined as part of a December 31, 2012 actuarial valuation using future projected cash flows discounted by a yield curve rate utilizing expected mortality rates. The actuarial assumptions included a 3.2% interest rate. As the Town is contributing annually an amount equal to the required contribution, each year the plan's percentage of annual pension costs contributed each year is 100% for 2014, 2013 and 2012. Additionally, there is no net pension obligation or asset for 2014, 2013 or 2012.

## **12. Commitments**

The Town has reserved monies received for out-of-town taps to be used for water storage facilities or studies.

In September 2009, the Town entered into an agreement with the County for the ownership, maintenance and management of the North Folk Valley Airport. Per the agreement, the Town owns 75% of the airport, and therefore, any future capital improvements will be 75% funded by the Town. The Town currently has one representative on the board and does not have control over the decision making of the board; accordingly, this arrangement does not constitute a joint venture or qualify for component unit reporting. The County assumes responsibility for the operations and maintenance of the airport. The agreement was amended in February 2014 to include how the proceeds from the wireless communication facility at the airport are to be divided. Per the agreement, any proceeds will be divided 75% to the Town and 25% to the County. The Town must hold its 75% share as a reserve for the Town's contributions to future capital improvements. As of December 31, 2014, the Town has a reserve for airport capital improvements of \$6,642.



**TOWN OF PAONIA, COLORADO**Notes To Basic Financial Statements (*Continued*)**13. Capital Assets**

	<b>Balance January 1, 2014</b>	<b>Additions</b>	<b>Dispositions</b>	<b>Balance December 31, 2014</b>
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 246,481	\$ —	\$ —	\$ 246,481
Capital assets being depreciated				
Buildings	609,359	—	—	609,359
Improvements other than buildings	430,355	—	(41,276)	389,079
Infrastructure	2,518,431	19,078	—	2,537,509
Equipment	632,571	122,359	(17,241)	737,689
	4,190,716	141,437	(58,517)	4,273,636
Less accumulated depreciation				
Buildings	(271,649)	(14,393)	—	(286,042)
Improvements	(206,773)	(20,662)	29,292	(198,143)
Infrastructure	(289,631)	(68,090)	—	(357,721)
Equipment	(484,222)	(51,986)	16,026	(520,182)
	(1,252,275)	(155,131)	45,318	(1,362,088)
Capital assets depreciated, net	2,938,441	(13,694)	(13,199)	2,911,548
<b>Total Governmental Activities Capital Assets</b>	<b>\$ 3,184,922</b>	<b>\$ (13,694)</b>	<b>\$ (13,199)</b>	<b>\$ 3,158,029</b>

**TOWN OF PAONIA, COLORADO**

Notes To Basic Financial Statements (*Continued*)

	<b>Balance January 1, 2014</b>	<b>Additions</b>	<b>Dispositions</b>	<b>Balance December 31, 2014</b>
<b>Business-Type Activities</b>				
Capital assets not being depreciated				
Land and water rights	\$ 834,157	\$ —	\$ —	\$ 834,157
Construction in progress	—	889,924	—	889,924
	<u>834,157</u>	<u>889,924</u>	<u>—</u>	<u>1,724,081</u>
Capital assets being depreciated				
Reservoirs, improvements and other	66,254	—	—	66,254
Distribution system	1,038,474	11,374	—	1,049,848
Collection system	529,476	—	—	529,476
Vehicles and equipment	644,242	—	(188,346)	455,896
Treatment plant	8,677,404	—	(214,612)	8,462,792
Less: Accumulated depreciation	(4,058,855)	(276,818)	402,958	(3,932,715)
Capital assets being depreciated, net	<u>6,896,995</u>	<u>(265,444)</u>	<u>—</u>	<u>6,631,551</u>
<b>Total Business-Type Activities Capital Assets</b>	<b>\$ 7,731,152</b>	<b>\$ 624,480</b>	<b>\$ —</b>	<b>\$ 8,355,632</b>

Depreciation charged to governmental activities by department is as follows:

General government	\$ 8,075
Public safety	15,889
Public works	94,227
Culture and recreation	<u>36,940</u>
<b>Total</b>	<b><u>\$ 155,131</u></b>

**14. Interfund Balances And Transfers**

The composition of interfund balances at December 31, 2014 is as follows:

<b>Receivable Fund</b>	<b>Payable Fund</b>	<b>Amount</b>
Water Fund	General Fund	\$ 55,672
Water Fund	Grant Project Fund	355,492
		<u>\$ 411,164</u>

## TOWN OF PAONIA, COLORADO

### Notes To Basic Financial Statements (*Continued*)

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made. The purposes of the interfund transactions were to finance capital projects. All interfund balances are not expected to be collected within one year.

Interfund transfers are used to report revenues from the fund that is required to collect them to the fund that is required to expend them as unrestricted revenues collected to finance various programs and capital purchases accounted for in other funds in accordance with budgetary authorizations, and to return money to a fund from which it was originally provided once a project is completed. During 2014, a one-time transfer between the General Fund and Sanitation Fund was recorded for cash that was from a sewer project that was being held within the General Fund in prior years.

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 25,896	\$ (65,787)
Sales Tax Capital Improvement Fund	—	(2,332)
Grant Project Fund	110,284	—
Water Fund	—	(112,413)
Sanitation Fund	65,787	(87,222)
	<u>\$ 201,967</u>	<u>\$ (267,754)</u>

### 15. Reconciliation Of Budget Basis To GAAP Basis For Enterprise Funds

	<u>Actual</u>
<b>Expenditures</b>	
GAAP-based expenses	\$ 1,186,204
Add (deduct):	
Depreciation	(276,818)
Interest expense	(38,158)
Debt service	<u>51,028</u>
<b>Total Budgetary-Based Expenditures</b>	<u>\$ 922,256</u>

There was a final favorable variance of \$153,701 between the enterprise funds final budgetary-based expenditures and the actual budgetary-based expenditures noted above.

## TOWN OF PAONIA, COLORADO

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### Notes To Basic Financial Statements (*Continued*)

#### 16. Budget Compliance

In fiscal year 2014, the General Fund and Grants Fund expenditures exceeded the final approved budgeted amounts. Final expenditures exceeding budgeted amounts do not comply with state statutes. Refer to the budget schedules for more information.

#### 17. Contingent Liabilities

The Town is subject to various claims arising from events occurring in its ordinary operations. Town management believes that the disposition of these matters will not have a material adverse effect on the financial position of the Town.

The Town has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could result in a request for reimbursement to the grantor agency for costs disallowed under terms of the grant. Based on prior experience, the Town believes such disallowances, if any, will be immaterial.

#### 18. Restatement

As discussed in Note 10, the Town was contributed the Bridge in 2011. Prior to 2014, the fixed assets were not recorded, and therefore, an adjustment to net position was made to properly reflect the contribution of the Bridge for the fair value of the property at the time it was contributed. Additionally, prior to 2014, the cash received in connection with the agreement was spent on repairs that were unrelated to the Bridge. The Town also recognized these spent funds out of deferred revenue. As a result, the effect on the 2013 ending net position for governmental activities is as follows:

Net position - December 31, 2013 as previously reported	\$ 2,810,637
Adjustment to increase net position for the contribution of Samuel Way Road and Bridge	807,039
Adjustment to decrease net position for the deferred revenue not earned	<u>(282,667)</u>
<b>Net Position - December 31, 2013 As Restated</b>	<b><u>\$ 3,335,009</u></b>

## TOWN OF PAONIA, COLORADO

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### Notes To Basic Financial Statements (*Continued*)

The deferred revenue adjustment also affected the 2013 ending fund balance for the General Fund as follows:

Fund balance - December 31, 2013 as previously reported	\$	387,311
Adjustment to decrease net position for the deferred revenue not earned		<u>(282,667)</u>
<b>Fund Balance - December 31, 2013 As Restated</b>	<b>\$</b>	<b><u>104,644</u></b>

The 2013 financial statements of the Town included the unfunded actuarial pension obligation for the retirement plan related to Note 11. In accordance with governmental accounting standards, the unfunded actuarial pension obligation is not recorded, but disclosed as required supplemental information. The 2013 financial statements included the \$289,533 unfunded actuarial liability as a liability in the Water Fund, whereas the 2014 financial statements do not include such a liability. Additionally, the total future obligation was removed from the Water Fund net position as follows:

Net position - December 31, 2013 as previously reported	\$	3,138,161
Adjustment to increase net position for the removal of the actuarial unfunded pension obligation		<u>289,533</u>
<b>Net Position - December 31, 2013 As Restated</b>	<b>\$</b>	<b><u>3,427,694</u></b>

As noted above, the 2013 financial statements included the \$289,533 unfunded actuarial liability as a liability in the business-type activities; whereas the 2014 financial statements do not include such a liability. Additionally, the total future obligation was removed from the business-type activities net position as follows:

Net position - December 31, 2013 as previously reported	\$	6,733,481
Adjustment to increase net position for the removal of the actuarial unfunded pension obligation		<u>289,533</u>
<b>Net Position - December 31, 2013 As Restated</b>	<b>\$</b>	<b><u>7,023,014</u></b>

**19. Change In Accounting Principle**

During the year ended December 31, 2014, the Town reclassified the sales tax - capital improvements fund from a special revenue fund to a capital projects fund to better align with the fund definitions in GASB Statement No. 54. There is no effect on net assets or fund balance as a result of this change.

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**Required Supplementary Information**

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# TOWN OF PAONIA, COLORADO

## GENERAL FUND - SCHEDULE OF REVENUES - BUDGET AND ACTUAL For The Year Ended December 31, 2014 Page 1 Of 2

	Original Budget	Final Budget	Actual	Favorable (Unfavorable)
<b>Taxes</b>				
General property taxes	\$ 99,761	\$ 99,913	\$ 99,913	\$ —
Specific ownership taxes	13,000	14,956	14,956	—
Sales tax - Town	155,000	145,473	143,341	(2,132)
Sales tax - County	100,000	95,418	95,766	348
Franchise taxes	65,000	55,780	54,390	(1,390)
Cigarette taxes	2,500	1,929	1,929	—
Delinquent taxes	—	3	—	(3)
Interest on delinquent taxes	575	444	447	3
<b>Total Taxes</b>	<b>435,836</b>	<b>413,916</b>	<b>410,742</b>	<b>(3,174)</b>
<b>Licenses And Permits</b>				
Liquor licenses	2,000	3,075	3,075	—
Building permits	15,250	12,298	12,298	—
Miscellaneous permits	1,325	674	674	—
Special reviews	1,000	647	647	—
VIN inspection	250	255	255	—
<b>Total Licenses And Permits</b>	<b>19,825</b>	<b>16,949</b>	<b>16,949</b>	<b>—</b>
<b>Intergovernmental Revenue</b>				
State shared				
Highway user's tax	50,000	48,240	48,046	(194)
Motor vehicle fees	6,050	5,831	5,831	—
Severance tax	28,850	44,368	44,368	—
Mineral leasing	59,500	57,655	57,655	—
Other governmental units				
Road and bridge	8,900	6,243	6,243	—
<b>Total Intergovernmental Revenue</b>	<b>153,300</b>	<b>162,337</b>	<b>162,143</b>	<b>(194)</b>



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# TOWN OF PAONIA, COLORADO

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## GENERAL FUND - SCHEDULE OF REVENUES - BUDGET AND ACTUAL For The Year Ended December 31, 2014 Page 2 Of 2

	Original Budget	Final Budget	Actual	Favorable (Unfavorable)
<b>Fines And Forfeitures</b>				
Court fines	\$ —	\$ —	\$ 408	\$ 408
Police fines	8,500	2,496	2,088	(408)
Miscellaneous	1,000	156	156	—
<b>Total Fines And Forfeitures</b>	<b>9,500</b>	<b>2,652</b>	<b>2,652</b>	<b>—</b>
<b>Miscellaneous Revenues</b>				
Earnings on investments	5,279	8,471	8,471	—
Rents	21,000	17,342	17,342	—
Billing interest	1,250	9,143	9,143	—
Community center	1,361	2,907	2,907	—
Other	600	2,606	2,606	—
Motor fuel tax refunds	2,000	1,965	1,965	—
Refunds	—	12,312	12,312	—
Bridge revenue earned	40,000	40,000	40,000	—
Law enforcement cost allocation	—	385	385	—
<b>Total Miscellaneous Revenues</b>	<b>71,490</b>	<b>95,131</b>	<b>95,131</b>	<b>—</b>
<b>Transfers</b>	<b>84,721</b>	<b>43,000</b>	<b>25,896</b>	<b>(17,104)</b>
<b>Total Revenues</b>	<b>\$ 774,672</b>	<b>\$ 733,985</b>	<b>\$ 713,513</b>	<b>\$ (20,472)</b>

# TOWN OF PAONIA, COLORADO

## GENERAL FUND - SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL For The Year Ended December 31, 2014

Page 1 Of 2

	Original Budget	Final Budget	Actual	Favorable (Unfavorable)
<b>General Government</b>				
Mayor and trustee	\$ 9,600	\$ 9,450	\$ 9,450	\$ —
Salaries and wages	99,073	32,348	33,085	(737)
Employee benefits	27,213	9,954	9,884	70
Supplies	5,120	3,442	3,442	—
Repairs and maintenance	25	—	—	—
Legal and professional fees	16,952	29,923	29,923	—
Telephone	3,612	2,211	2,211	—
Travel and meetings	8,480	335	335	—
Insurance and bonds	5,384	4,827	4,827	—
Utilities	3,450	3,504	3,504	—
Janitorial services	7,800	8,000	8,000	—
Building inspector	2,525	2,113	2,113	—
Publishing ads	2,840	755	755	—
Dues and subscriptions	1,160	1,109	2,085	(976)
Audit fees	4,500	4,504	4,504	—
Postage	1,600	1,733	1,733	—
Human services	7,690	6,789	6,909	(120)
Miscellaneous	200	9,993	9,993	—
Vehicle expense	1,800	293	293	—
Town Hall expense	2,500	2,178	2,178	—
Elections	3,000	1,561	1,561	—
Data processing	13,698	14,498	14,498	—
Pass-through funds	—	6,435	—	6,435
HR Consulting	1,500	—	—	—
Treasurer's Fees	1,800	2,473	2,473	—
<b>Total General Government</b>	<b>231,522</b>	<b>158,428</b>	<b>153,756</b>	<b>4,672</b>
<b>Public Safety</b>				
<b>Police Department</b>				
Salaries and wages	263,323	213,194	221,175	(7,981)
Judge	2,646	2,646	2,646	—
Employee benefits	61,809	57,618	57,618	—
Supplies	5,000	5,350	5,350	—
Repairs and maintenance	1,000	650	13,701	(13,051)
Legal services	1,025	750	750	—
Telephone	3,900	4,167	4,167	—
Travel and meetings	500	1,159	1,159	—
Insurance and bonds	5,958	6,186	6,186	—
Utilities	2,250	2,313	2,313	—
Vehicle expense	12,000	16,596	16,596	—
Dues and subscriptions	580	790	790	—
Miscellaneous	356	896	896	—
Uniforms	850	973	973	—
Publishing and ads	50	40	40	—
Officer's training	1,500	990	990	—
Juvenile diversion	1,394	1,604	1,604	—
Data processing	8,275	6,181	2,580	3,601
FPPA	23,409	20,488	19,985	503
<b>Total Police Department</b>	<b>395,825</b>	<b>342,591</b>	<b>359,519</b>	<b>(16,928)</b>

# TOWN OF PAONIA, COLORADO

## GENERAL FUND - SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL For The Year Ended December 31, 2014 Page 2 Of 2

	Original Budget	Final Budget	Actual	Favorable (Unfavorable)
<b>Animal Control</b>				
Operating supplies	\$ —	\$ —	\$ —	\$ —
Vet fees	350	—	—	—
<b>Total Animal Control</b>	<b>350</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Public Works</b>				
Salaries and wages	51,580	42,714	43,983	(1,269)
Employee benefits	13,988	14,556	14,556	—
Supplies	1,150	2,419	2,419	—
Repairs and maintenance	17,400	29,893	52,774	(22,881)
Legal and engineering	250	945	945	—
Telephone	1,325	1,043	1,043	—
Insurance and bonds	778	1,787	1,787	—
Utilities	1,675	886	886	—
Snow removal	10,000	12,695	12,695	—
Street lighting	21,250	20,985	20,985	—
Street cleaning	1,400	1,864	1,864	—
Vehicle expense	8,000	14,837	14,837	—
Miscellaneous	1,709	225	228	(3)
Shop expense	1,200	4,281	4,281	—
<b>Total Public Works</b>	<b>131,705</b>	<b>149,130</b>	<b>173,283</b>	<b>(24,153)</b>
<b>Culture And Recreation</b>				
Salaries and wages	1,574	1,665	1,706	(41)
Employee benefits	682	1,033	1,033	—
Supplies	6,775	6,100	6,100	—
Repairs and maintenance	4,950	19,478	19,478	—
Legal fees	25	465	465	—
Telephone	525	441	441	—
Travel and meetings	25	—	—	—
Insurance and bonds	4,911	4,985	4,985	—
Utilities	5,700	7,861	7,861	—
Contract services	40,000	38,575	38,575	—
Vehicle expense	800	1,045	1,045	—
Capital outlay	(2)	(1)	—	(1)
Miscellaneous	1,150	685	685	—
<b>Total Culture And Recreation</b>	<b>67,115</b>	<b>82,332</b>	<b>82,374</b>	<b>(42)</b>
<b>Totals</b>	<b>\$ 826,517</b>	<b>\$ 732,481</b>	<b>\$ 768,932</b>	<b>\$ (36,451)</b>

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**TOWN OF PAONIA, COLORADO**

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**CONSERVATION TRUST FUND -  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For The Year Ended December 31, 2014**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual (Unfavorable)</b>	<b>Favorable</b>
<b>Revenues</b>				
Lottery	\$ 7,750	\$ 6,910	\$ 6,910	\$ —
Interest	50	2	2	—
<b>Total Revenues</b>	<b>7,800</b>	<b>6,912</b>	<b>6,912</b>	<b>—</b>
<b>Expenditures</b>				
Parks	5,000	5,000	4,999	1
<b>Excess Of Revenues Over Expenditures</b>	<b>2,800</b>	<b>1,912</b>	<b>1,913</b>	<b>1</b>
<b>Fund Balance - Beginning Of Year</b>	<b>—</b>	<b>—</b>	<b>1,457</b>	<b>1,457</b>
<b>Fund Balance - End Of Year</b>	<b>\$ 2,800</b>	<b>\$ 1,912</b>	<b>\$ 3,370</b>	<b>\$ 1,458</b>

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**TOWN OF PAONIA, COLORADO**

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**SIDEWALK FUND -  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For The Year Ended December 31, 2014**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Favorable (Unfavorable)</b>
<b>Revenues</b>				
Sidewalk revenues	\$ —	\$ 29,046	\$ 29,046	\$ —
<b>Expenditures</b>				
Repairs and maintenance	—	717	717	—
<b>Excess Of Revenues Over Expenditures</b>	—	28,329	28,329	—
<b>Fund Balance - Beginning Of Year</b>	—	—	—	—
<b>Fund Balance - End Of Year</b>	\$ —	\$ 28,329	\$ 28,329	\$ —

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**TOWN OF PAONIA, COLORADO**

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**SCHEDULE OF FUNDING PROGRESS  
For The Year Ended December 31, 2014**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value Of Assets</b>	<b>Actuarial Accrued Liability</b>	<b>Unfunded Actuarial Accrued Liability</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>Unfunded Actuarial Accrued Liability As A Percentage Of Covered Payroll</b>
12/31/2012	\$ —	\$ —	\$ 289,533	0%	N/A	N/A

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## **Supplementary Information**

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# TOWN OF PAONIA, COLORADO

## SALES TAX - CAPITAL IMPROVEMENTS FUND - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL For The Year Ended December 31, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
<b>Revenues</b>				
Sales tax	\$ 155,000	\$ 145,473	\$ 143,399	\$ (2,074)
Miscellaneous	—	12,537	12,537	—
<b>Total Revenues</b>	<u>155,000</u>	<u>158,010</u>	<u>155,936</u>	<u>(2,074)</u>
<b>Expenditures</b>				
Capital outlay	223,948	105,700	152,810	(47,110)
<b>Total Expenditures</b>	<u>223,948</u>	<u>105,700</u>	<u>152,810</u>	<u>(47,110)</u>
<b>Excess (Deficit) Of Revenues Over (Under) Expenditures</b>	<u>(68,948)</u>	<u>52,310</u>	<u>3,126</u>	<u>(49,184)</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from capital lease	—	—	98,000	98,000
Payment of principal and interest on capital lease	—	—	(16,759)	(16,759)
Fund transfers	530,000	33,600	(2,332)	(35,932)
<b>Total Other Financing Sources (Uses)</b>	<u>530,000</u>	<u>33,600</u>	<u>78,909</u>	<u>45,309</u>
<b>Net Change To Fund Balance</b>	<u>461,052</u>	<u>85,910</u>	<u>82,035</u>	<u>(3,875)</u>
<b>Fund Balance - Beginning Of Year</b>	<u>—</u>	<u>—</u>	<u>77,980</u>	<u>77,980</u>
<b>Fund Balance - End Of Year</b>	<u>\$ 461,052</u>	<u>\$ 85,910</u>	<u>\$ 160,015</u>	<u>\$ 74,105</u>



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**TOWN OF PAONIA, COLORADO**

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**GRANT PROJECT FUND -  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For The Year Ended December 31, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
<b>Revenues</b>				
Grant revenues	\$ 4,900,000	\$ 929,617	\$ 532,200	\$ (397,417)
<b>Expenditures</b>				
Grant expenses	5,400,000	929,617	959,199	(29,582)
<b>Deficit Of Revenues Under Expenditures</b>	(500,000)	—	(426,999)	(426,999)
<b>Other Financing Source</b>				
Proceeds on principal forgiveness loan	—	—	847,920	847,920
Fund transfers	—	—	110,284	110,284
<b>Total Other Financing Sources</b>	—	—	958,204	958,204
<b>Net Change To Fund Balance</b>	(500,000)	—	531,205	531,205
<b>Fund Balance - Beginning Of Year</b>	—	—	—	—
<b>Fund Balance - End Of Year</b>	\$ (500,000)	\$ —	\$ 531,205	\$ 531,205

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# TOWN OF PAONIA, COLORADO

## WATER FUND - SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN AVAILABLE RESOURCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) For The Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Favorable (Unfavorable)
<b>Available Resources - Beginning Of Year</b>	\$ 752,864	\$ 752,864	\$ 752,864	\$ —
<b>Revenues</b>				
Water charges	546,857	543,465	543,465	—
Water taps	18,000	—	—	—
Sales and service	3,500	5,502	5,502	—
Water tank	3,500	1,913	1,913	—
Standby tap fees	34,000	32,442	32,442	—
Penalties	1,000	827	827	—
Interest income	55	3	3	—
<b>Total Revenues</b>	<b>606,912</b>	<b>584,152</b>	<b>584,152</b>	<b>—</b>
<b>Total Available Resources</b>	<b>1,359,776</b>	<b>1,337,016</b>	<b>1,337,016</b>	<b>—</b>
<b>Expenditures</b>				
Salaries and wages	161,931	139,145	142,874	(3,729)
Employee benefits	37,657	34,416	34,277	139
Supplies	15,440	17,032	11,748	5,284
Legal and engineering	7,500	8,500	8,500	—
Repairs and maintenance	40,000	29,756	—	29,756
Professional fees	5,750	4,504	4,504	—
Telephone	2,344	1,859	1,859	—
Postage	2,500	3,042	3,042	—
Travel and meetings	1,760	542	2,347	(1,805)
Insurance and bonds	21,600	21,297	21,297	—
Utilities	15,000	14,575	14,575	—
Vehicle expense	12,000	15,370	15,370	—
Dues and subscriptions	1,060	300	300	—
Shop expense	2,000	4,143	4,143	—
Capital outlay	15,000	15,000	—	15,000
Miscellaneous	4,880	16,209	1,343	14,866
Fees and permits	5,450	10,073	10,073	—
Water Power Authority Loan	—	21,219	55,066	(33,847)
Drinking water revolving funds	23,475	23,343	23,343	—
John Norris retirement	20,160	20,160	20,160	—
Pass-through funds	—	6,435	6,435	—
Debt service	500,000	99,885	(17,897)	117,782
<b>Total Expenditures</b>	<b>895,507</b>	<b>506,805</b>	<b>363,359</b>	<b>143,446</b>
<b>Available Resources - End Of Year</b>	<b>\$ 464,269</b>	<b>\$ 830,211</b>	<b>\$ 973,657</b>	<b>\$ 143,446</b>

# TOWN OF PAONIA, COLORADO

## SANITATION FUND - SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN AVAILABLE RESOURCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)

For The Year Ended December 31, 2014

Page 1 Of 2

	Original Budget	Final Budget	Actual	Favorable (Unfavorable)
<b>Available Resources - Beginning Of Year</b>	\$ 609,765	\$ 609,765	\$ 609,765	\$ —
<b>Revenues</b>				
Sewer charges	329,000	333,982	333,982	—
Garbage charges	176,000	171,959	171,959	—
Sewer taps	7,500	3,750	3,750	—
Interest	—	61	—	(61)
Transfers in	—	60,000	—	(60,000)
<b>Total Revenues</b>	512,500	569,752	509,691	(60,061)
<b>Total Available Resources</b>	1,122,265	1,179,517	1,119,456	(60,061)
<b>Expenditures</b>				
<b>Sewer</b>				
Salaries and wages	98,785	81,815	83,854	(2,039)
Employee benefits	22,797	19,888	19,749	139
Supplies	15,440	34,769	34,769	—
Repairs and maintenance	40,000	24,494	24,494	—
Professional fees	7,000	4,539	4,539	—
Telephone	2,094	1,639	1,639	—
Postage	1,500	2,219	2,219	—
Travel and meetings	1,760	400	500	(100)
Insurance and bonds	6,621	6,280	6,280	—
Utilities	31,675	50,427	50,427	—
Vehicle expense	8,500	12,170	12,170	—
Capital outlay	5,000	5,000	—	5,000
Fees and permits	3,775	6,622	6,662	(40)
Debt service payments	102,000	76,516	76,420	96
Pass-through funds	—	6,435	6,435	—
Gaging station	3,200	3,543	3,543	—
Miscellaneous	6,715	7,010	6,910	100
<b>Total Sewer</b>	356,862	343,766	340,610	3,156

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**TOWN OF PAONIA, COLORADO**

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**SANITATION FUND -  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN AVAILABLE RESOURCES - BUDGET AND ACTUAL  
(NON-GAAP BUDGETARY BASIS)**

**For The Year Ended December 31, 2014**

**Page 2 Of 2**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Favorable (Unfavorable)</b>
<b>Garbage</b>				
Salaries and wages	\$ 139,602	\$ 124,820	\$ 127,877	\$ (3,057)
Employee benefits	37,000	39,266	39,150	116
Supplies	1,100	3,602	3,562	40
Repairs and maintenance	825	2,282	2,282	—
Legal and engineering services	100	35	35	—
Telephone	875	661	661	—
Postage	750	1,096	1,096	—
Insurance and bonds	719	831	831	—
Utilities	2,000	2,181	2,181	—
Vehicle expense	12,000	13,097	13,097	—
Landfill fees	24,000	25,576	25,576	—
Capital outlay	10,000	10,000	—	10,000
Miscellaneous	2,051	1,939	1,939	—
<b>Total Garbage</b>	<b>231,022</b>	<b>225,386</b>	<b>218,287</b>	<b>7,099</b>
<b>Total Expenditures</b>	<b>587,884</b>	<b>569,152</b>	<b>558,897</b>	<b>10,255</b>
<b>Available Resources - End Of Year</b>	<b>\$ 534,381</b>	<b>\$ 610,365</b>	<b>\$ 560,559</b>	<b>\$ (49,806)</b>

# TOWN OF PAONIA, COLORADO

## LOCAL HIGHWAY FINANCE REPORT For The Year Ended December 31, 2014

Financial Planning 02/01  
Form # 350-050-36

The public report burden for this information collection is estimated to average 380 hours annually.

<b>LOCAL HIGHWAY FINANCE REPORT</b>		City or County: <b>TOWN OF PAONIA</b>			
		YEAR ENDING: December 2014			
This Information From The Records Of (example - City of _ or County of _):		Prepared By: Jane Berry, Town Manager Phone: (970)527-4101			
<b>I. DISPOSITION OF HIGHWAY-USER REVENUES AVAILABLE FOR LOCAL GOVERNMENT EXPENDITURE</b>					
ITEM	A. Local Motor-Fuel Taxes	B. Local Motor-Vehicle Taxes	C. Receipts from State Highway-User Taxes	D. Receipts from Federal Highway Administration	
1. Total receipts available					
2. Minus amount used for collection expenses					
3. Minus amount used for nonhighway purposes					
4. Minus amount used for mass transit					
5. Remainder used for highway purposes					
<b>II. RECEIPTS FOR ROAD AND STREET PURPOSES</b>		<b>III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES</b>			
ITEM	AMOUNT	ITEM	AMOUNT		
<b>A. Receipts from local sources:</b>		<b>A. Local highway disbursements:</b>			
1. Local highway-user taxes		1. Capital outlay (from page 2)	0		
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	54,160		
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:			
c. Total (a.+b.)		a. Traffic control operations	0		
2. General fund appropriations	0	b. Snow and ice removal	12,695		
3. Other local imposts (from page 2)	28,902	c. Other	0		
4. Miscellaneous local receipts (from page 2)	2,496	d. Total (a. through c.)	12,695		
5. Transfers from toll facilities	0	4. General administration & miscellaneous	3,873		
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	20,985		
a. Bonds - Original Issues	0	6. Total (1 through 5)	91,713		
b. Bonds - Refunding Issues	0	<b>B. Debt service on local obligations:</b>			
c. Notes	0	1. Bonds:			
d. Total (a. + b. + c.)	0	a. Interest	0		
7. Total (1 through 6)	31,398	b. Redemption	0		
<b>B. Private Contributions</b>	0	c. Total (a. + b.)	0		
<b>C. Receipts from State government</b> (from page 2)	60,315	2. Notes:			
<b>D. Receipts from Federal Government</b> (from page 2)	0	a. Interest	0		
<b>E. Total receipts (A.7 + B + C + D)</b>	91,713	b. Redemption	0		
		c. Total (a. + b.)	0		
		3. Total (1.c + 2.c)	0		
		<b>C. Payments to State for highways</b>	0		
		<b>D. Payments to toll facilities</b>	0		
		<b>E. Total disbursements (A.6 + B.3 + C + D)</b>	91,713		
<b>IV. LOCAL HIGHWAY DEBT STATUS</b> (Show all entries at par)					
	Opening Debt	Amount Issued	Redemptions	Closing Debt	
<b>A. Bonds (Total)</b>	0	0	0	0	
1. Bonds (Refunding Portion)	0	0	0	0	
<b>B. Notes (Total)</b>	0	0	0	0	
<b>V. LOCAL ROAD AND STREET FUND BALANCE</b>					
	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
	0	91,713	91,713	0	(0)
<b>Notes and Comments:</b>					

FORMFHWA-536 (Rev. 1-05)

PREVIOUS EDITIONS OBSOLETE

(Next Page)

# TOWN OF PAONIA, COLORADO

## LOCAL HIGHWAY FINANCE REPORT For The Year Ended December 31, 2014

<b>LOCAL HIGHWAY FINANCE REPORT</b>	STATE: Colorado
	YEAR ENDING (mm/yy): December 2014

### II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL

ITEM	AMOUNT	ITEM	AMOUNT
<b>A.3. Other local imposts:</b>		<b>A.4. Miscellaneous local receipts:</b>	
a. Property Taxes and Assessments	13,946	a. Interest on investments	0
b. Other local imposts:		b. Traffic Fines & Penalties	2,496
1. Sales Taxes	0	c. Parking Garage Fees	0
2. Infrastructure & Impact Fees	0	d. Parking Meter Fees	0
3. Liens	0	e. Sale of Surplus Property	0
4. Licenses	0	f. Charges for Services	0
5. Specific Ownership &/or Other	14,956	g. Other Misc. Receipts	0
6. Total (1. through 5.)	14,956	h. Other	0
c. Total (a. + b.)	28,902	i. Total (a. through h.)	2,496
	(Carry forward to page 1)		(Carry forward to page 1)

ITEM	AMOUNT	ITEM	AMOUNT
<b>C. Receipts from State Government</b>		<b>D. Receipts from Federal Government</b>	
1. Highway-user taxes	48,240	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	0
a. State bond proceeds		b. FEMA	0
b. Project Match		c. HUD	0
c. Motor Vehicle Registrations	5,832	d. Federal Transit Admin	0
d. Other (Specify) - DOLA Grant	0	e. U.S. Corps of Engineers	0
e. Other (Specify)	6,243	f. Other Federal	0
f. Total (a. through e.)	12,075	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	60,315	3. Total (1. + 2.g)	
			(Carry forward to page 1)

### III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL

	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
<b>A.1. Capital outlay:</b>			
a. Right-Of-Way Costs	0	0	0
b. Engineering Costs	0	0	0
c. Construction:			
(1). New Facilities	0	0	0
(2). Capacity Improvements	0	0	0
(3). System Preservation	0	0	0
(4). System Enhancement & Operation	0	0	0
(5). Total Construction (1) + (2) + (3) + (4)	0	0	0
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	0	0
			(Carry forward to page 1)

Notes and Comments: